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Lending and Promotion Strategy for India's Rural Non-Farm Sector: Role of NABARD

Gandhiji and the Indian Economy

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MIDS Bulletin

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

VIII Plan

Once more the State Planning Commission has met and finalised the VIII plan proposals, at Rs. 10,300/- crores for the VIII Plan and Rs. 1700 crores for the annual plan 1992-93. The main features of the VIII Plan are: proposals for decentralised planning at the district level. (This is a repeat of the 1976 intentions which was turned into 15 district plans but remained only that. The bottleneck here is the absence of a political will to decentralise plans, powers and funds. Is there reason to believe that this will be changed now? Second, the priorities in the plan are set forth as drought proofing and poverty alleviation. (This too is a repeat of what has been laid down since the IV Plan with no practical effect on combating droughts or reducing the number of poor. Will there be really adequate resources allocation for the 2 priorities?). Third, the importance of agriculture is stressed and industry is expected to grow under the personal care of the chief minister, who is also the minister of industry and chairman of the Planning Commission. To back up this development 1630 MW additional power is to be created and a 15 year perspective plan formulated to provide the basis for long term progress. Of these two decisions, the second - 15 year perspective plan - can become a reality if it is based on the methodology followed by the 1972-74 ten year perspective plan. While all the other promises will probably remain on paper, this could be implemented. But has the State Planning Commission got the machinery to carry out this important function? It seems doubtful.

1993-94 Plan and some financial issues

Work has already started at the level of the State Planning Commission on the 1993-94 Annual Plan for the state. The State Commission has placed the Plan at Rs. 1891 crores, which is 8 per cent

above the current year Plan size, which had to be discussed and rediscussed by the chief minister and the Deputy Chairman of the Union Planning Commission and which was finally fixed at Rs. 1781 crores after it had got up as far and high as the Prime Minister, who is the chairman of the Union Planning Commission (see Vol. XXII pp117 & 231). This increase in the proposed State Plan outlay of less than 10 per cent seems normal and moderate, but can only be judged when more data is available on several counts such as: a) the national outline annual plan for 1993-94, b) the states resources position at the end of the year, particularly with regard to BCR - Balance from Current Revenues, c) the unfinished parts of the current year's plan, d) the demands of the non plan sector etc. But the financial signals are not favourable as indicated in the last issue. On top, one additional DA has just been declared (mid October) which will add Rs 113.52 crores to the budget deficit this year and will be Rs. 170.28 crores in a full year and the DA for pensioners will amount to Rs. 17.45 crores this year and Rs. 214.17 crores in a full year.

Water during October

Water position in the state presents an interesting scene. By the third week of the month, the state, particularly the southern districts, received such heavy rains that some dams like those in Kanyakumari district suffered serious flood damage whose costs and effects — in both human and material terms are still being assessed. As a result, 10 out of 22 districts receiving excess rainfall and eight others receiving normal rainfall (South West monsoon), all the irrigation tanks like Bhavanisagar, Periyar, Vaigai and all in Tirunelveli and Kanyakumari district are full upto the brim. Mettur, also, for the third time this year has filled up and is overflowing at the rate of 34,000 to 70,000 cusecs. While this assures a good samba and ever late kharif crop and meets all drinking water needs even in the remote areas, and is of particular help in regard to hydel power generation for the balance of the year, there is also a serious danger faced by the state. This danger stems from the fact that this surplus water situation has arisen even before the onset of the North East monsoon, which is likely to break out soon — on any day now in the last week of October. Now the authorities must plan ahead as to the points at which the tanks can and should be breached so that surplus monsoon water is let out without damage to house or standing crops. This advance planning in the areas of irrigation tanks and hydel reservoirs should be done now to avoid calamities like what we have had in the past.

Power

The power scene in October, had many positive signs. As noted, the filling up of the 15 hydel reservoirs in the state has enabled the Tamil Nadu Electricity Board to remove completely all restrictions on demand of all HT consumers — for the first time in seven years. Also with the power generation made possible, the Board forsees no power cut in 1993-94. Overall there are some positive and some negative features in the power scene on all India basis. On the positive side, with the good response of the private sector to participate in power generation, the Tamil Nadu Electricity Board has offered 5 more specific projects to the private sector: a) two 500 MW units involving an outlay of Rs. 2500 crores which is the North Madras Stage III project, b) a 450 MW thermal project at Vemban; c) two

100 MW diesel engine power plant at Samayanallur ; d) 4 major/medium hydel project at Bhavani (90 MW), Stage II Erode (30 MW), Parakyar, Nagercoil (25 MW) ; only mini/micro projects at Thaliyar (500 KW) Siruvani at Coimbatore (3 MW), Kallapallam, near Kotagiri (10 MW), Lower Kothgudiar, near Bodinayakkam (5 MW) and Manjalore near Theni (10 MW). This last group of mini/micro hydel projects have been taken up fast — 10 private companies applying for operating the 9 projects. Similarly in Karnataka the private sector is extending the field of wind energy as well as the mini/micro hydel area. Here the Union government's various incentives for wind energy projects, meeting their cost, allowing 100 per cent depreciation has been picked up by private companies for the Jayatmai Hills project, Gokkak mills, KRC Brindavan Hydel scheme, the Kabini and Hararangi mini hydel, Suthari projects etc. Further, the improved hydel position has enabled some states like Tamil Nadu not only to lift the ban on power intensive projects but actually to widen the scope of application of power tariff concessions accorded to such new HT industries in the state. On the negative side, the problem of the massive arrears of the State Electricity Board to National Thermal Power Corporation (NTPC) amounts to over Rs. 1500 crores. Now faced with the threat by the World Bank to hold back the $1.2 billion loan to the NTPC, the Union government has decided to realise Rs. 1000 crores of the dues in the next 3 years. A second problem faced by NTPC in regard to the above loan is the insistence of the lender, the World Bank, that 20 per cent of the loan should be made available by NTPC, while the latter is sticking at 12 per cent. Given the sound financial position of the Corporation and its use of the World Bank loan not only to match foreign exchange needs but also to introduce a nodicum of discipline among the SEBs, the World Bank's condition should be met. Third, the total all India power picture at the end of the VIII Plan is still grim. After completion of all the projects in the VIII Plan, the Planning Commission states that the country will face a massive power deficit of 500 MW. Finally and in light of this, the question must pose as to whether one good and plentiful monsoon is adequate justification for opening power intensive industries.

Infrastructural programmes

Urban development operations are in the process of being decentralised, with the state government planning to create regional urban development authority, each authority covering 10 to 12 towns including some large ones like Madurai, Coimbatore, Tiruchi, Vellore etc. This should be a means not only of improved coordination in the local area, but the authority should be vested with clearly defined functions and funds to take over the planning and operation of the development of the towns. The high capacity mass transit system for Anna Salai which begins with an exclusive bus way is in the process of data gathering for the complex project - on the busway length, elevation and speed, etc. This must be paid for by the citizens of Madras through a specific cess. Finally the work on the satellite port at Ennore is being held up because no private party has come forward to join in sharing the project finance (Rs. 556.37 crores) over 5 years, which is to receive an assistance of Rs 450.45 crores ($150.15 million) from ADB. Just as Madras Port has gone ahead with the commissioning of the convergence belt set up by TNEB, so too the Madras Port could be entrusted with

the initial execution of the Ennore scheme which will ultimately be handing 16.12 million tonnes of coal per annum. As the private companies enter the power generation field as set forth above, their interest in the satellite — its finance and functioning will grow and become more direct.

National

Plan

Similar to the State Annual Plan exercise, the procedure for formulating the Union Annual Plan is now getting under way. Here too it is proposed to start with the agreement between the Planning commission and Minister and then move to the working party details. The 1993-94 Annual plan - for both union and state - is being envisaged at 10-12 per cent above the 1992-93 plan which was Rs. 84,000 crores, Rs. 45,000 crores for the Union and Rs. 39,000 crores for the state. This was based on : a) the rather tight resource situation during 1992-93, b) leading to no increase on budgetary support over that of the previous year and c) a dissaving of Rs. 900 crores. For 1993-94 it is hoped that these 3 factors will be reversed, particularly the dissaving turning into a saving surplus of Rs. 1300 crores by the end of the VIII Plan. One test is whether a real start can be made - even in a small way - with decentralized planning. There seem to be no sign of any start on this important feature of planning from the exercises currently underway at the states level or that of the union.

Prices

The inflationary pressure on the economy and on people show some disturbing feature. First, the annual rate of inflation based on WPI on a point to point base rose from 7.4 per cent on September 12, to 8.8 per cent on September 19 and further to 9.2 per cent on September 26 and on to 9.3 per cent on October 3. The WPI on September 26 was 229.4 against 226.7 on August 29. Second, the annual rate of inflation on the base of "the final index" was 10 per cent when the provisional estimate was 9.1 per cent. This means that the provisional estimate of 9.3 per cent for October 3 will have to be similarly adjusted upwards on the basis of the final estimates when it becomes available. Third, all this computation with WPI is wholly unrealistic. What affects the common man is the rise on the consumer price index. An examination of the essential commodities for the month of October in 1990-91 & 92 shows that the prices of all these — rice, wheat, jawar, bajra, urad, gram, sugar rising sharply which effects the poor section of the population and prices of consumer durables rising also inexorably which affects the lower middle class especially at the festival-Diwali-time Why are we fooling ourselves in using the WPI base? There are several historical reasons for this but the latest is the promise given to IMF and WB that prices will be kept below the double digit range for this year. This could be attained to satisfy the IMF, but is no indication of the problem by the economy and the people.

Stock Exchange

Will the changes made in the Stock Invest Scheme in reducing the validity periods and automatically lifting the bankers' lien on the investor deposit account attract more investments? While the simplification of the scheme is

welcome, the issue that needs to be faced is that of the stock market booming with money and investments at a time when the economy is slowing down. This is only partly to be explained by the events related to the scam because even after the scam was discovered and corrective action begun, the stock exchange prices continued at their old high level. Is this due to the general perception, not unjustified, that returns from investment in the stock market are far higher than the returns from industry and until this source of distortion is faced, and corrected, the stock market reform will not by itself reverse the slow down in industry.

Economy

October which witnessed the second round of disinvestment in the equity of public sector enterprises raises several question conducting the conceptualisation and organisation of the sales and the sales procedure. One question was relating to the reserve price which was set at a level which unloaded at two thirds of the bids of Rs.2091 crores. How is the reserve Price determined? Is there provision for it to be reviewed before bids are finally accepted or rejected? Further if the government wishes to make the disinvestment process a success, should there not be full information made available to the potential investor about the companies whose equity is being offered for sale, particularly the results of their operation for the latest year. In the absence of them, elemental precautions, it is not surprising that this third attempt at disinvestment has also failed. The October announcement by the RBI of the 1 per cent cut in interest rates on both large advances and term deposits seems to be another shot in the same direction. But this small marginal cut in the interest rates will not make up for the fast drying credit sources which industry is facing. This is being worsened by the near halt of treasury operation and the non review of the various bans on ready forwards and the ambiguity of the discounting of finance company bills-which was expected in the current policy announced in October. The RBIs introducing of the refinancing facility against bank's holding of government and other approved securities will not help on this matter, particularly when the RBI refinance rate is a high 14 per cent. This is not to say that there are not some positive feature in the policy just announced-such as the reduction in the floor lending rates for borrowing above Rs.2 lakhs from 19 per cent to 18 per cent, as also the cut from 20 per cent to 19 per cent in March last. But the Central problem of making more money to flow into industry for its growth and revival has not been addressed. Further, the government in its turn has to find the means to increase the equity base of the banks (Rs. 200 crores) and pay off their bad debts (Rs. 8000 crores), and the source is being narrowed down to the government exchequer. Against this is the pledge it has given to IMF about reducing the deficit targets which will be difficult. And so the money will have to come partly from the government and partly from the market, where despite the poor results of the latest sales of its equities, the public can be expected to respond positively to a preferential capital issue at a decent dividend of Rs. 614 per cent. In this connection the government is being pressured to reduce its fiscal deficit sharply by 3 per cent of GDP by IMF and 4 per cent by the World Bank. One

can only pity the government for having got itself into a position where its fiscal policy has become a foot ball between IMF / World Bank. On the positive side, the government reports rather large surpluses over the anticipated collection from both direct and indirect taxes. The resource starved state will in particular welcome the large rise in direct taxes, in which they will have a share. But the question arises whether the large surplus reported of governmental tax revenue is the result of poor budgeting or deliberate under budgetting. This should be examined to place budget proposals and policy on a firm footing. Similar questions arise on RBIs forecast of rising private corporate investment for 1992-93 published in its latest bulletin. The forecast is of a 11 per cent increase for this year. Apart from the fact that there is as yet no evidence of such a needed rise in corporate investment, the methodology being used to make this forecast needs to be examined to see if it allows for the mixed trends as between sectors — as between metals and metal products which in any case attracts heavy investors as against the lower share of chemicals and petro chemicals, and as between regions with the disturbing concentration of investments in highly industrialised states like Maharashtra and Gujarat. This is part of the Industrial policy issue which need a concentrated attention. The government reports that at the end of October, the cabinet approved Rs. 2200 crores as the national renewal which will make a start possible for the exit policy along with the guidelines for its operation.

Industry

Over a year after the reform of the industrial policy that was announced and its formal endorsement by the conference of states ministers of industry, there is little sign of any turn around in industry except statistically. The average index in the first four months, April-July 1992-93 has moved up by 2.1 per cent because of the decline of 1.9 per cent in July 1991 lowering the first quarter average of 3.6 per cent. Industry and trade circles also point to the recession in several industries leading to reduced production in automobiles, two wheelers, cement, steel, paper and electronics, and the lagging infrastructure on which little is being done. What is even more unpardonable is because action could have been taken by government immediately is that an entrepreneur has to get clearance from 18 agencies under the IDRAA and must confront 51 inspectors from as many industrial laws. On top, there are the innumerable and heavy taxes and customs provisions; getting bank funds involves clearance from 5 authorities, and setting up a power project requires clearance from 19 agencies including heavy weights like DGTD, CCI & E and National Airport Authority. To talk about industrial policy reform in this context seems to be a mockery. The government announces that the industrial licensing will be pruned further, but this too could be a paper promise. Where the government acts fast is in areas like removing the preferences to SSI in order to increase the area of competition. But this is an area which calls for some deliberation and phasing, given the fact that the SSI, according to the 1991-92 Economic Survey comprises 19.38 lakh small units, with its value of production at Rs. 155,340 crores, employing 12,20 lakh and contributing Rs. 9,100 crores to exports. Similarly the package of incentives announced in early October to attract private companies to the oil sector should be implemented speedily and not remain on paper as other packages which has led to the failure of the

three previous calls on the private sector to enter the field crude oil and petroleum production. At the individual industrial level, the sugar industry which has produced a record output of sugar of over 134 lakh tonnes reports a loss of Rs. 700 crores during the sugar year October 1991 - September 1992, which the industry as usual attributes to higher sugar cane prices, building up the dues to cane farmers and so the role of decontrol in the situation is in some doubt. Another industry posing problems on pricing and subsidy reduction is fertilisers. What should be the objective aim and can they be attained by lifting the control over prices and distribution of phosphorous and potassic fertilisers and the 10 per cent reduction in the price of nitrogenous ones ? How is the doubling of the market price to be met ? Will all this achieve self sufficiency in nitrogenous fertilisers and improve the productivity of the manufacturers of complex nutrients. These and other issues await resolution during the coming farming year. The package software industry which has recorded a 66 per cent growth but which is shared between the domestic and imported component somewhat disproportionately at 17 : 83 needs restructuring in view of the domestic demand for packaged software being on a rising future curve; the Indian component needs to be rapidly expanded.

Public Sector

Apart from the need to restructure the investment procedures of the public sector enterprises referred to earlier, another issue that the enterprises face is the abolition by the government of the 10 per cent price preferences that they have so far enjoyed. This will promote competition and place the PSU and non PSU on a more even position, but only to some extent because : a) the PSUs working on a top down decision structure do not have ths ability to size up the forces that make up the market and determine the prices and b) non PSU units have a greater leeway to make under the table payments, in order to secure the bids in their favour. Hence what is needed to promote real competition is to reform the decision making structure in PSUs. While this may be a step forward, any action taken on the recommendation of the parliamentary sub committee on sick PSUs to resume budget support for them will be a backward step and will be giving a wrong signal to other PSUs, some of which report every month on the profits made.

National Production Front

Steel

Recession is gripping the steel sector — both the alloy and special steel sector, whose demand has fallen to less than half its annual output, 1.2 million tonnes out of 2.5 million tonnes p.a. produced — as well as the public sector SAIL plants and Vishakapatnam Steel Plant (VSP) which are reported to have been forced to build up their inventories at 3 months stock for SAIL (Rs. 2500 crores) and 1 month's for VSP (Rs. 120 crores). This means that SAIL and VSP are losing Rs. 53.5 crore a month on interest payments. This inventory build up is not due to recession and the reduced demand by bulk buyers like Railways and Defence, but also and more importantly to high prices which followed decontrol (see Vol XXII p12) and poor marketing procedures, as against the aggressive marketing by the private sector units who offer the usual competitive price discounts. Here both short and long term action is needed. In the short term, SAIL & VSP should

reduce prices and even take a loss to capture markets, push exports especially in the case of VSP and remove the burden of the levy for the Steel Development Fund which is not needed. The long term solution is the privatisation of the whole steel indsutry. The government, it is understood, has decided on this and located 25 sites in 10 states for this purpose. This process should be speeded up by the government giving the industry all help in capital, power and infrastructure. This will enable the full capacity of the section to produce 25-35 million tonnes per annum.

Crude

The rise in the crude import bill for the year by $3600 million over and above the targeted $5.1 billion, raises once more the question of whether there should be an imposed cut in consumption. The only development being reported are plans to increase the refining capacity from the current 51.85 million tonnes to 73 million tonnes by the end of the VIII plan, without any indication of where the crude increase or the foreign exchange needed will come from. In addition to the slow reduction rate indicated by the conservation association, should there not be a direct reduction in the supplies to the refineries as occurs when there is labour disruption — strike or lock outs. The time has come to close this option instead of going to the market to buy the needed ($600 million) foreign exchange.

Coal

It is not possible to get CIL and its associates to increase output through increased productivity, the heavy man-power surplus they are carrying prevents this. Hence it is a good development that bulk private coal users-such as the power and cement sectors are allowed to develop captive mines and washeries. The amendment of Coal Mines Act which will be complete in the winter session should help to start them on this needed development. Only the users should be made to pay their dues regularly-not accumulate them as the public sector power utilities do.

Non Ferrous

The public sector NALCO has done well for the third year running—on production, sales, cost reduction projects. It has the status of a star trading house, and so its equity disbursement has been successful. Here is a case where the equity disinvestment does not depend on good procedures only but on a sound production record.

Agricultural Production

When foodgrains production is expected to increase by more than 12 million tonnes over that of last year to 183.5 million tonnes (for 1992-93), with 104 5 million tonnes for kharif and 29 million tonnes rabi, the question should be posed as to why the procurement rates is low at 16.6 million tonnes till July 1992 compared to 20.3 million tonnes at July 1991. The result is that the stock of foodgrains have fallen sharply — wheat 5.3 million tonnes and rice to 6.48 million tonnes, so that the food buffer at August end was 11.78 million tonnes against the buffer target of 24 million tonnes and last year's 21.3 million tonnes. This has led to the government purchase of wheat from Canada and Australia of over 1 million tonnes

and another million tonnes from the US. This is a luxury which with our falling foreign exchange resources cannot afford and if to this is added the import of essential pulses which are in short supply in terms of production, the need for taking drastic action on food procurement is clear. There is only one reason for this parlous national situation in foodgrain stocks and that is very poor, lag and corrupt procurement procedures. No excuses about the comparative levels of market prices vrs procurement prices, or hoarding of stocks by large and middle farmers should be accepted. The whole procurement system should be restructured from top to bottom to avoid this kind of situation, because we cannot expect year after year a good foodgrain output situation, while a sloppy and unsatisfactory procurement policy is being effected. The other issue which has come up for consideration is the scandalous status of land reforms in the country. The chief ministers in their conference last year set March 31, 1992 to dispose off all 23 lakh acres of surplus land to be distributed. This year's conference of revenue ministers extended the deadline to June 30, 1992 but the undistributed surplus land remains still at 23 lakh acres. There are the usual excuses about litigation, land unfit for cultivation etc. But West Bengal shows that if there is a political will translated into organisation and procedures through which it has taken possession of 12.01 lakh acres out of 12.69 lakh acres, there would not be this criminal delay in a priority programme to reduce inequality and poverty in the country. Second, the question has also been posed at the conference as to the use being made to 49.75 lakh acres which have been distributed. There seems to be no information on this. Is it not time that this follow up of the small land redistribution programme is undertaken, as to what crop to each allotted and redistributed plot is being raised along with a thorough survey and the results thereon made known for further action.

Foreign Trade

The trade deficit continued to widen from $2.121 billion in the 4 months April-July to $2 301 billion in the 5 months April-August. One result is that the country's slender foreign currency assets built up through borrowed funds from IMF and WB declined by $ 1 billion-from $6.867 billion in July 17 to 5.844 billion in September 18. The effect on the reserves of the additional increase in the trade deficit in August by $200 million is yet to be computed. Exports are growing by 4.6 per cent and imports by 22 per cent. The official position is that this level of imports which is expected to go up to $7 billion by the end of the year, in order to increase production and exports as a result of which exports will pick up from January 1993, as and when the US economy improves after the presidential elections. These seem to be hopes nourished by IMF and WB who keep patting India on the back for what they call good management of the economy. Once more attention is called to the need to reduce our consumption of luxuries and non necessary and so reduce our import bill, even as improved production increases exports. That is really the only sound BOP policy. The WB policy towards India seems not consistent as even as it wants the country to reduce import duties and increase imports, it also warns of another BOP crisis stemming from dependence on exceptional financing and volatile NRI fund. Meanwhile the government has introduced REP licenses-which is for import replenished, admitting 6 categories of exporters for these licenses and

reducing the banned consumer goods list as noted earlier ranging from gold to informatics. The government also is withdrawing from the GATT protocol as from 31 March 1993 because the preferences it offers do not serve our changed trading pattern and interests in order to place more emphasis on the 41 member STP-the Global System of Trade Preferences. October also records the usual improved exports of a few industries Gems and jewellery (up 34 per cent), engineering up 58 per cent), cotton exports (5 lakh bales) but this makes no difference to the monthly dismal trade deficit and BOP scene faced by the country.

Aid and loans

In fulfilment of the Aid India Consortium pledged for the year, Germany finalised an agreement for lending Rs. 919 crores (Rs. 638 as soft, and Rs. 120 crores as grant of $21,000 to the Rural Development Society, Velgudi in AP, a grant pact for Rs. 1,100 crores was signed under the USA AID, of which Rs. 920.5 crores was for aiding the family planning Programme, and UK made a grant of Rs. 115 crores for the Western Ghats project. ADB made a credit of $285 million for the coal parts project at Madras and Ennore. Outside the Aid India Consortium agreement, credit Suisse provided SW Franc 20 million to the Ex-Imp Bank, Rs. 225 crores of technical credit to finance Indian exports was released to Russia. The rupee trade with Czechoslavakia is to be replaced by trade through free exchange rates. The problem of unutilised loans is serious. The World Bank has cancelled unused loans of $1.45 billion equal to Rs. 4350 crores. Of this $800 million is IBRD loans and 450 million IDA loan. Similarly Germany reports that DM700 million of its aid has not been used. At a time when the government is knocking on the doors of all countries and sources for resources, this non use shows that there is loose budgetting and that some of this aid not really needed.

International

IMF

The IMF study on the evolving monetary system calls attention to some important pointers for the future entertained monetary system. First, the US share of world output has fallen from 40 per cent in 1960s to 35 per cent, also resulting in the eroding of the US dollar in international transactions. This means that the future international monetary system will need an effective process for starting and coordinating economic leadership. Is India aware of this development? Second, US, Japan and Germany have shown the ability to hold down inflation without a fixed exchange rate. This means that these countries will sacrifice their monetary autonomy to remain in a multi-currency reserve system which is mired in international indebtedness and so has no freedom on exchange rates. But this also suggests that instead of relying on the dollar or pound as the intermediate currency, should not the currencies of the 3 countries serve as the anchor for India, as they are beginning to be for Europe and Asia/Pacific.

World Bank

In an important administrative reorganisation which has programme implications, the World Bank has defined its priorities countering on reduction of poverty in the world through : a) Human Resource

Development, b) Private sector development, and c) environmentally sustainable development. Each of the sectors has been placed under a Vice President, two of whom are now appointed. The objective of the changes, will be to bring the Bank's operations and organisation with the types of poverty reduction and to bring its programme and priorities in line with its resources. This is sound and should help India and III world — except it is not clear when private sector development gets into the poverty reduction programme. The private sector has many achievements but poverty reduction is not one of them.

IMF

Inspite of reports that a break through in the GATT talks has occured in the last week of October as a result of the negotiations between Trade Official from US, Canada, Japan, and EC, there seems to be no end in sight as to when the talks will result in an agreement. The Group of 7 wants the talks to end by the end of the year. France and others are arguing that the Uruguay round cannot be concluded until the EC and the US included in their negotiations the effects of the devalued dollar on grain trade, which it regards the main obstacle to this deal. The success of the talk is needed for world trade to develop, for the developed countries trade, and also for the developing countries. But there is no trigger to set off the realisation of its successful conclusion.

FAO forecast

FAO forecasts, as noted earlier, that India will be forced to import pulses, as the Green Revolution has bypassed the pulses crop almost totally. With the increase in population, the per capita pulses availability has fallen from 75 gram per day in 1959 to 40 grams in 1991, well below the ICMR minimum of 40 grams. This added to the import of the rather large foodgrains is making for a very difficult food as well as foreign exchange situation for India and her neighbours.

World Watch Study

The most recent report of the World Watch Institute reviews the 36 environmental and social indices and concludes that human civilization and the world are still in trouble, despite some positive trends which should be built on to reverse the degradation of resources and set the world on sustainable path. While world population is increasing, there is a slide in world grain production. The world however in 1992 will be at a 5 year low of 312 gms per capita this year and needs special attention.

OPEC

OPEC may decide on reduced oil production in the first half of 1993 to avoid a sharp drop in prices, according to US oil specialists. The basket price for oil offered by OPEC units now average $ 19.50 per barrel which could go upto $ 20 and the increase will reduce demand. Hence it will have to cut production to counter a post seasonal drop. The effect of such a fall on countries like India could be positive if the national policies allow for international prices to be reflected more fully at the national level.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

With the good rainfall during the South West monsoon and the consequent wide spread precipitation and adequate and comfortable storage in all irrigation tanks Samba paddy transplantation has precee-ded fast in October in the state. The earlier kuruvai paddy has recorded all time high of 6.5 tonnes per hectare in Thanjavur and Nagapatinam Quaide-e-milleth. The transplantation — will reach 10 lakh hectares by the end of the month, the normal samba paddy area in the state being 15 lakh hectares. Transplantation has been completed over 4 lakh hectares in the delta area covering Thanjavur, Quaid-e-Milleth, and parts of Pudukottai and Tiruchi districts. The paddy farmers in North Arcot, Chingleput — MGR and South Arcot districts have so far had deficient rainfall and so are using water from the irrigation wells to raise paddy nurseries. The delay in the North East monsoon on which they depend to com-plete this process is causing them some anxiety. Meanwhile the procurement operation for the kharif is complete with the target of procuring 4 lakh tonnes having been passed. An additional 1 lakh tonne could be procured by mid December. This record is on top of the samba progress of 128 lakh tonnes. The farmers will face the problem of storage when the samba procurement starts. The farmers expect that the samba procure-ment policy will be developed, as the kharif monopoly procurement is not to be applied in the samba season. The govern-ment targets for the delta districts should be reduced in order to adjust to the limi-ted godown capacity of the state. Further the milling agents may not be able to handle all the stress that may be procured and these factors must be taken into account in formulating the new procure-ment policy for the samba season. The farmers will be as forth coming as they did last year and make available for pro-curement about 15 lakh tonnes, even as the kuruvai procurement is nearing com-pletion.

Research results

In October, 89 research reports and the setting up of a National Research Centre in Banaras by ICAR are recorded. The distribution of research reports is not, unsatisfactory : 3 on cereals, 5 on fruits, 7 on animal husbandry, 2 on agricultural engineering and 11 on a miscellaneous group covering manures and pests in vegetebles, dry farming techniques; water management in coffee estates and other mixed areas. There are still lacking ade-quate studies in horticulture and dry farming. But the basic question raised in the last issue remains unanswered. How much of these valuable reforms are actu-ally transferred to the field and how many are being adopted by the Tamil Nadu farmer. Till this question is examined rather carefully and the result made known, it is difficult to pronounce on the quality and effectiveness of farm research in the state. At the institutional level, the initiative to fund banana research is sound and needed. Here the question should be asked, it has taken some 40 years after the ICAR was established and 80 years if its predecessor is taken into account for the research to be institutionalised, because in this four to eight decades the banana planters and farmers have suffered enormous damage from pests and diseases and even more from storm and flood. The

tissue culture research is more than timely and can be used by the banana farmer to counter diseases like bunching top. Atleast in this case after a year or 18 months, there should be an enquiry into the transfer of the results to the plantation and the research-positive and negative, made known.

Horticultural development

In the state's drought prone areas like the Tiruvannamalai - Sambuvarayan district, and more generally in the dry land areas that cover the major part of farmers and their crop lands, there is need for spreading the successful demonstration in planting and making available to the dryland farmers in the state grafts and layers of horticultural crops. The demonstration in the control and state farms has been successful in the the case of : a) commercial orchards, b) commercial nurseries and c) production of quality seeds. This demonstration shows the dry land farmer how large scale agriculture and horticulture can be done on a commercial scale. The demonstration farms grow over 504 hectares for commercial orchards of which about 200 hectares are for mangoes. Also the development of hybrid coconut is being demonstrated. The question is whether dry farming suitable in terms of technology and crop can be developed to meet the needs of small and medium dry farmers. In growing horticulture crops it needs to be helped by using non conventional energy for this farming. He has abundance of wind, biomass, eucalyptus and other energy plantation sources at his disposal and these should be the subject of demonstration by the central and state farmers. Already a lot of time has been lost in this area and so the need to speedy action is indicated.

Plantation crops

In October two general problems affecting all plantation industries, coffee, tea, rubber and cardamom have been in the forefront. First, the effect of the fertiliser price hike has affected all the crops. UPASI computes that it means for coffee, plantations spending the Rs. 1.83 more to produce a kg of coffee, for tea plantation 75 paise more for kg of tea, for rubber plantation 30 paise per kg rubber and for cardamom Rs.17 per kg. This is serious and does constitute to a heavy burden on the plantation growers, particularly as the recession trends in the world seems to be contributing and intensifying. On the other hand, these are immediate effects of the particular price hike following from the cut in public fertiliser subsidy and the decontrol and there is need for some times (6 months or so), to pass to assess the real impact on the plantation industries. Second, the plantation crop prices are passing through a temporary phase of decline and should recover soon and reach some sort of equilibrium to cover the increased costs. In this connection the recovery of world coffee price is reviving prospects of the International coffee quota under the International Coffee Organization. This will not be a repeat of the old system but will be made responsible for production trends. But India is a small player in the league and will have to have its own way. Thus the effect of the fertiliser price hike on small planters who are 80 per cent of all planters needs to be investigated. How much synthetic fertiliser does the small planter use and should he not shift to organic manures in part or wholly, particularly as he will not face a heavy cost function for this bulky fertiliser. Finally there is need for all large, medium and small plantations, to effect the maximum economy in input use and

speed. The other major general issue affecting all the plantation crops in Tamil Nadu is the recession in prices that they face according to the Planter's Association of Tamil Nadu, (PAT). For *tea*, which this year is expected to fall to 100 million kg against last year's 113 million kg, the average kg price has fallen from Rs. 39 in 1992 to Rs. 33 in 1992. This ofcourse is mainly due to the loss of the Soviet market which bought 75 per cent of South India tea export, and now while the success of CIS market should be explored, it is important to get out of the over reliance on one source and diversify our export sources. In *coffee* in which the state crop in 1990-91 was 15,000 tonnes and in 1991-92 17000 tonnes, in 1992-93 it is expected to fall to 13,000 tonnes alongside lower yield and higher costs. This is giving rise to discontent with the system of pooled marketing which is to be scrapped anyway. It is therefore appropriate that a large number of coffee growers in the state are joining with their counterparts in Karnataka and Kerala to form the Indian Coffee Marketing Cooperation Ltd (COMARK) to market coffee. This too will take time as the growers have been ignorant of the market and its operations for over 50 years. But that is the way forward. COMARK should specialise in marketing the crop of the small growers. For *rubber* where the state output for 1991-92 was 18,309 tonnes, the cost is well above the price. There is need for the rubber producer to economise on the cost and for the government to rationalise its task on the industry. Infact there is a case for such rationalisation for all plantation crops. PAT points out that a tea company with an average yield of 2500 kg per hectare and a pretax profit of Rs. 3 per kg, pays per hectare : a) estate duty of Rs. 1250, b) tea cess of Rs. 375, c) sales tax of Rs. 7438, and d) union income tax of Rs. 1553, e) state agricultural income tax of Rs. 2925 and f) land revenue and local tax of Rs. 100. This total of Rs. 3641 of which was Rs. 10,000 goes to the state need to be examined both comparatively non payment of income tax of agriculture land holder and in relation to other sectors and states to provide the basis of rationalising the taxes. The state government is aware of the distortion and has promised to take corrective action with regard to what the government calls "genuine" problems of the planter — what ever that may mean.

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III. Industrial Development in Tamil Nadu

The October review of the state's industrial development must start with the government review report on the state industries placed before the Assembly in October. There are important positive developments reported, starting with the decision of the government to use a team of officials to attract investment to the state both from other states and from outside the country. This important initiative will be reviewed when the first reports of the team are made available. Then there are set forth certain achievement: a) the Tamil-Nadu Corporation for Infrastructure Development (TACID) referred to in Vol. XXII (p22) has been given Rs.125 crores to set up the 4 growth centres at Gangaikondan, Perundurai, Bargur and Nilakottai on which work is in progress,

plus a fifth centre in Nagapattinam—QM district, b) TACID has also started a special area development plan for *Tirupur* with an outlay of Rs.200 crores, c) new *sugar mills* are to be set up in Tirunelveli - Kattaboman, Thanjavur, Nagapattinam — QM, South Arcot, Chengai-MGR districts plus expansion cum modernisation in 5 cooperative sugar mills: d) a case by case analysis of every *loss making PSU* has been completed and comprehensive package evolved to ensure better results in each undertaking: e) this is important as this bulletin has repeatedly called attention to the question, quoting C&AG reports and has recommended that the government get out of this production business. It would be interesting to know what "the comprehension package" consists of. The public who pay through taxes for these units and their losses should know and debate the details. This report, however, spoiled its effect by using exaggerated phrases like the report being an "eye opener" against which what evidence there is, is negative — of Tamil Nadu industrialisation migrating and setting up units in other states. The statements that "the state of drift and despair" has been corrected has been challenged by industrialists.

Turning to the positive features recorded this month, *First* at long last, the union government has cleared an additional 70,000 tonnes of *molasses* for export. The state government has earmarked 60 per cent of the the export quota for the 14 cooperative and 3 public sector mills and the balance to the 14 private sector mills. The basis for this decision is not known and should be made public. *Second, MIL* Industries is expanding its activities, particularly in teflon lined pipes, fittings, and moulded components. With the UK collaboration MIL is planning to develop market for their products in the south east asian region. *Third*, the *leather industry* is to receive $25 million from UNDP for its growth which will enable it to attain an export target of Rs.10,000 crores by the end of IX Plan. Also a committee has been constituted to recommend a new policy package to attract even large foreign investment and to examine whether leather should go out of SSI list. *Fourth*, the union government has approved the financial collaboration between R. J. Brown and Associates, Singapore and Kothari Brown of the Kothari group. The Singapore firm will have a financial stake of 51 per cent, with the Kothari group offering engineering services in the field of offshore oil and natural gas both in India and abroad, particularly the Gulf countries. *Fifth*, *Madras Refineries* is setting up the refinery and gas sweetening/LPG recovery plant at Panangudi near Rajapalayam is starting Nagapattinam — Quaid-e-Millet on the road to industrialisation. Its contribution to the state's industrialisation is expanding rapidly to Rs. 50 crores for improving the environment in the Manali industrial area, educating the workers in the dos and donts of environmental and industrial safety, applying for union permission to import 1.66 lakh tonnes of potash and 63,000 tonnes of phosphate to meet the state's immediate requirement. *Sixth*, The second phase of the *MEPZ* development has now started with propasals involving investment of Rs. 50 crores being approved. Among these are the project for the export of steel furniture by Godrej (Rs. 5 crores) : another for the manufacture and export of motors by Crompton and Greaves (Rs. 6 crores) : a third by a local entrepreneur to manufacture sports cars (Rs. 9 5 crores) : Ceramic porcelain (Rs. 8 crores). The zone has emerged as

a multi product zone, with its exporters rising to Rs. 122 crores in 1991-92 from Rs. 61 crores in 1990-91 and with a target of Rs. 255 crores for 1992-93 all to GCA. *Seventh*, in October after a long wait of several months, the government cleared some Rs. 60 crores projects including a 100 per cent export oriented mushroom culture project, and 400 tonne lactic acid project, and a video cassette unit. Another Rs. 500 crores projects for making tyres, pig iron and rolled aluminium products are, after several months; awaiting clearance. *Eight*, as a result of the negotiations and the resulting agreement between labour, management and the labour commissioner, *Seshasayee Industries* which had been closed since December 1990 will open and resume operations from March 31, 1993 *Ninth*, *SPIC* is doing very well under the abolition of the fertiliser subsidy and the decontrol of fertiliser because it foresaw this happening in 1992. Its decision taken on programmes with TIDCO on TN petro products and with NALCO on Aramco and the Indo Jordan chemical company have contributed to its growth. As a results it shares in MSE has risen from Rs. 120 on August 25 to Rs. 200 on September 9.

On the negative side, *first*, the MRTPC has launched an enquiry against the *Madras Rubber Factory* for allegedly indulging in unfair trade practices. The company has been charged with manipulating the market and creating an artificial scarcity of its products through deliberately reducing its production for this purpose. *Second*, the embrogolio on the granite policy reported in the last 2 issues continues. The Union government has asked the state government to change its policy on exports of granite through *TAMIN* and has sent a 3 member delegation to discuss the state government's canalising exports. But the state government is firm on this and claims that the policy has resulted in a turnover of Rs. 26 crores for 1991-92 and a record profit of Rs. 15.56 crores. In fact as several industrial groups have put up projects for Rs. 30 crores and above, the state government is thinking in terms of making these companies associate sector parties, keeping its equity stake down to 11 per cent. What the long term interest of the states quarry development are requires attention. *Third*, *Tamil Nadu Industrial Explosives* a heavy loss making company has been investigated by BIFR and on conclusion of the enquiry has appointed IDBI as the operating agency. The operating agency will work out the scheme of rehabilitation of the company. *Fourth*, the state's industrialisation drive is being held back by the controversy and resulting standstill in production as between two state government enterprises. The two relevant cases in this matter are the *Tamil Nadu Electricity Board* refusing to lift steel from *Tamil Nadu Steels* and instead procuring Rs. 12 crores of rerolled steel from outside sources, resulting in the building up of inventories by Tamil Nadu Steel works of Rs. 5 crores. The other deadlock is between Tamil Nadu Cements and the *State Highway Department* in which the chief minister had to intervene to cancel a a government order which facilitates the deadlock. *Fifth*, while the state in its report referred to earlier takes credit for pushing forward on the Tamil Nadu Singapore corridor and the Rs. 2000 crore Arochem projects, the Tamil Nadu delegation sent to Singapore to expedite the project has returned empty handed and the Arochem project is still in the planning stage. *Sixth*, *Richardson and Cruddas* plant may not have closed down, despite all work having stopped in one of its plant and its labour being on strike

since May. At the plant against the installed capacity of 4800 tonnes, its March 1991 production was 54 tonnes and February 1992 production was 4 tonnes. This unit should be closed. On the whole, the pluses in October are more than the minus in the development of state's industrialisation drive.

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IV. Education, Science and Health

Educational reforms

Will a decline in population benefit the country's educational system ? Kerala may be an exception because it is the only state where population growth is not declining rather rising rapidly. The immediate results of the population decline, including the fall in the primary school age children from the current 59.01 lakhs to 42.24 lakh in 2001, according to the study undertaken by CDS is the closure of 3000 schools and rendering 50,000 teachers redundant. This from the employment point of view may be regretted but two positive results may be noted. The qualitatively poorest schools can be closed, and the teachers who are good have now some 10 years to train themselves for finding alternative employment This forecasts should be taken seriously and the current fashion of opening new schools on every possible occasion — on someone's birth anniversary, death anniversaty, etc. should be stopped. The quality of education can be raised as a result of this development and the intervening period should be used to identify the qualitatively poor schools. At the higher education level, the case of autonomous college have repeatedly been evaluated. The latest one of the Tamil Nadu colleges — 45 of them has been also completed and the report reviewed by the Vice Chancellors and Chancellor. Now is it not time to stop this futile exercise and act. There is no alternative to autonomous colleges. There will always be some problem or other to be further examined. But this is the statue of colleges every where, why are we hesitating of enabling them to be colleges. The same consideration for using distance education with a common syllabus has been accepted by the states, universities and vice chancellors. Now the universities should stop thinking of Distance education and correspondence education as 'milch cows' to meet their falling income, and use the possibility they offer of extending quality education to all who are qualified for and desire it.

Adult literacy

In Tamil Nadu, in addition Pudukottai and Pasumpon Muthuramalingam, Kamarajar has been declared a fully literate district. This will be followed by Dharmapuri. This welcome feature shows that given a disciplined and committed volunteer force, good leadership, the decision for literacy is fast spreading. Now the post literacy phase should be taken up smoothly to prevent the danger of the neo literate reverting to a state of illiteracy. Kerala having achieved full literacy of over 95 per cent is now turning to its hard core illiterates - the literacy of tribals and hill dwellers. Here the programme is concentration on the

3 Rs, before turning to functionality and awareness. But already the reaction of the tribes is to demand more than literacy, demand that literacy should enable them to live more fully.

Technical education

The meeting of the State Board of Technical Education after a gap of 9 years is important. In the 9 years self financing institutes have grown rapidly — 30 engineering colleges and 74 polytechnics. These can be helped, developed and brought to a good and adequate standard. And that can be done only at the local level and not by far away Delhi. The Act which has been passed to vest large powers in the All India Council will only be a paper act, as the real decisions and their enforcement depending on local condition can be made only at the state level and by the technical education institution, not by the All India or state councils Has the Board demonstrated that this can be done and not limited itself to considering the value of decentralization and at the same time asking for more funds from the All India Council. A good development which needs to be extended to the joint Tamil Nadu Small Industries Association (TANSIT) and the University of Madras is the setting up of an Institute to train entrepreneurs, 10-15, per annum. This should be followed by other trade or business organisation.

Science

Now the programme of popularisation of science and taking it to the villages and illiterate and neo literate adults is starting under the nomeclature of Bharat Jan Gyan Vigyan Jatha (BJGVJ). It is important that BJGVJ &BGVJ should go together, for the message of literacy should be science. Here again Kerala—KSSP is taking the lead. BARC reports that its scientists have successfully developed a new fuel, mixed oxide (MOX)—a mix of uranium oxide and plutonium oxide which is to be used to run the Tarapur Atomic Power station. This makes the atomic installation independent of the restriction which US, UK, Russia and France wish to impose on it to supply the needed fuel. Two more science and technology entrepreneur parks are coming up at Anna University, Madras Regional Engineering College, and in Karnataka. This is a needed development. The two parks, however, should speedily attain financial self reliance after the initial financial aid that they will receive.

Health

Slowly but inexorably the population question and its control is emerging as a major issue on the national Agenda. Will this give teeth to the programme and make it a people's programme, not dependent on the union or state government for its development? This is the major question. In October, 350 cases of cholera and gastro entritis have been reported in the city and its suburbs. There is only one reason further and that is impure and polluted drinking water. In many areas, particularly in the slums and low lying areas, drinking water and sewerage water are becoming mixed. This must be urgently corrected as the only means of stopping the dreadful and scandalous disease.

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V. Employment and Labour Relations

On the employment front, the Jawahar Rozgar Yojana is being expanded with a new component of permanent jobs for the rural unemployed. This is part of the VIII Plan's target of creating 3 crores more job for young rural unemployed through JRY. The programme is to contain a family planning component. The target for seasonal employment is being raised from 80 crore mandays to 100 crore mandays. There seems to be some confusion in the aims. JRY is an ad hoc relief programmes. How can it provide permanent jobs to any one? The Social forestry plantations is a good temporary relief programme which if stretched out will ruin the effectiveness of the short term relief effort. Probably what is intended is longer term jobs, that is, jobs for 9 month instead of 6 months, and as the young grow up, they will be expected to find other means of work.

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VI. Other Items

Cadre Evaluation

The first report of the evaluation of Adult Educa.ion cadres was reviewed at a meeting of the SRC in early October. It was found that the cadre was conforming to the objectives of the cadre programme — that is to devote oneself totally to the literacy work in the village. This was in a village where the cadre was working which had a backdrop of effective voluntary agency programme. The next evaluation will be that of cadre working in a village without these features and will be examined in light of it.

Rotary

The Rotary club of Central Madras called a meeting of its members in the second week of October and invited the chief justice of the Madras High Court to present for the sake of Honour award to the Editor of the Bulletin. The citation referred to the many tasks carried out by him and commended his work for the removal of poverty in particular.

Advance in Agro chemicals

The Technology Advancement Centre organised a symposium in mid October on the advances being made in the field of agro chemicals, that is fertilisers and pesticides. It was noted that these two chemicals had increased the food output of the country 3-4 fold but that it also caused several health and environmental problems. In light of this, the advances being made in biochemicals were considered, reviewed along with their human, social and economic cost implications. The finding was that the future development will be in the bio chemicals, biocides field and that this should be encouraged.

Mr. Sundaravadivelu

The ex Vice Chancellor of the Madras University Mr. Sundaravadivelu has this year attained his 80th birthday. There was a commemoration organised at which his ministerial friends, Mr. Nedunchezhian and Mr. Aranganayagam along with 6 of his colleagues — past vice chancellors spoke pointing to his achievements in the 80 years of his life — particularly in the development of education at the state, national and international levels, in safe-guarding of the Tamil language, especially when it was facing an assault from Hindi and in devoting himself to the uplift of the backward and discriminated classes and people.

Annual Conference of TNBCE & SRC

The 15th Annual Conference of the TNBCE & SRC was held at the end of October in the Bharathidasan University, Tiruchirapalli. The subject of the discussion theme this year was post literacy. This is appropriate because already 5 districts out of 22 have attained the first stage of literacy and they will soon be joined by 7 others this year and 10 next year. The techniques of assuring this post literacy and continuing education and its content were stressed with the help of the National Literacy Mission which is led by an able group of specialists. The Report of the Conference has laid out the path for the future development of continuing education through the Jana Shikasha Nilayams — Thodar Kalvi Nilayams — to follow the present Arivoil Iyakkam in the state.

November Seminar

The paper for the November Seminar "Lending and Promotion Strategy for India's Rural Non-Farm Sector : Role of NABARD" appears as the first article.

Second Article

Part II of the extract of the paper, Gandhiji and the Indian Economy Today, appears as the second article.

Future of the Bulletin

Arrangements are being made for developing the Bulletin as a more effective organ of the Institute in which the staff will participate and will involve changed content, format and title to be run by a 4 member editorial committee. Next year, 1993, will be a trial year during which the new format will be tested and made continuing from 1994. In the light of this the December Special Issue Section this year will only contain two of the nine papers (by Drs. N. Jayaram and A. R, Umamaheswar) presented at the Twenty Second Inter-disciplinary Research Methodology Workshop, held at the Institute of Development Studies, University of Mysore.

December Special Section

1. Dying Dinosaur : Plight of Higher Education in India by Dr. N. Jayaram.

2. HRD in Higher Education by Dr. A. R. Umamaheswar.

MIDS News

Mr. S. Guhan participated in a seminar on "Study of Indian Economy" at the Institute for Financial Management and Research on November 13th 1992; addressed Hindustan Chamber of Commerce on "Fiscal Stabilisation" on November 16th 1992; and gave a seminar at the Institute on "Cauvery River Dispute" on December 7th 1992.

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Dr. Nasir Tyabji was a discussant for a Session on "Industrial Structure and Cooperatives" in the IDPAD-CDS Workshop on *Modernisation and Employment Protection in the Coir Industry* held at Thiruvananthapuram on November 12 and 13, 1992.

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Dr. Nirmal Sengupta attended a conference on the follow-up to the Earth Summit organised by the Ministry of Environment and Forests, New Delhi on November 13 and 14, 1992.

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Dr. P. Radhakrishnan attended a semina on Backward Classes and Reservations at the Government Law College Pondicherry on November 14 and 15, 1992 and presented a paper on Backward Classes Movements in Tamil Nadu

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Dr. C. T. Kurien participated in a Refresher Course for teachers of Economics of the M. S. University at Tirunelveli on December 2 and 3 and gave two lectures including the inaugural address.

Dr. K. Nagaraj also participated in a Refresher Course on December 3 and 4 and gave two lecturers.

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Dr. M. Thangaraj, attended the Bouddha Dhamma conference held in Bombay on December 5 and 6, 1992 and spoke on "Buddhism and World Peace".

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November Seminar

Lending and Promotion Strategy for India's Rural Non-Farm Sector : Role of NABARD

Hameed Dawood
Deputy General Manager, NABARD, Madras

Background Paper

Indian policy makers and planners decided in 1950s to invest in heavy industries and infrastructure. This resulted in shortage of food production in the mid 1960s and hence the policy thrust was shifted to intensive agriculture which led to dramatic increase in food production. However, these policies gave room for disparities in income imbalances between different regions and between different groups. By 1970s, the GOI sought to correct these imbalances through a number of programmes for the benefit of small/marginal farmers and agricultural labourers and also to meet the needs of less developed regions. These programmes addressed themselves directly to alleviate poverty through creating opportunities for self employment. With the potential for further development in agriculture tappering off, the development of future rural economy in India has come in a greater measure from the non-agricultural sector. Various studies conducted in India revealed that the employment opportunities in agriculture have come down. It provided employment to 82% of the work force in 1978; it declined to 78% in 1988 and further to 70% in 1991. By the turn of this century, agriculture is expected to provide employment only to 55% of the work force. However, the share of rural NFS in providing employment has been increasing steadily from 14% in 1978 to 17% in 1988 and further to 20% in 1991.

National Bank for Agriculture and Rural Development (NABARD) was established in 1982 with the purpose of ensuring rural prosperity by paying undivided

attention for the development of agriculture, allied activities, cottage industries, small/tiny industries, rural artisans, handicrafts, etc.

Immediately after its formation, National Bank constituted 7 Task Forces to study the problems and prospects of credit in the major rural industrial activities such as handloom, handicrafts, coir, sericulture, khadi and village industries, tiny industries and organisation and marketing essentials. Based on the recommendations of these task forces, National Bank introduced various schemes for flow of credit through the banks. They relate to acquisition / modernisation of looms / opening / renovation of show rooms, construction of workshops, establishment of defibering units in the coir sector, reeling and twisting units under sericulture, bio-gas plants, special schemes for financing industrial cooperatives, agro-processing units, small road transport operators, mother units, ancillary units, satellite farms, etc. As a result of the various efforts put in by all concerned, the disbursement of National Bank refinance under investment credit for rural, tiny, cottage and village industries has increased from Rs. 1.38 crores in 1985-86 to Rs. 104.61 crores as on March 1992. National Bank, based on its past performance has drawn a prospective plan of refinance disbursement of Rs. 143 crores in 1992-93 and Rs. 390 crores in 1993-94 and Rs. 600 crores in 1994-95.

An important factor to be considered and recognised with regard to NFS investments is its potential to create employment opportunities, more particularly, in rural areas. Big and heavy industries are known to be displacing labour by undertaking modernisation processes and adopting high-tech projects. It is said that a sum of Rs. 1.00 crore invested in big and heavy industries create employment opportunities for only 320 persons as against creation of employment of 1720 persons in tiny and cottage industries covered under NFS. Yet another interesting feature in NFS development in rural India is the participation of women and educated unemployed youth. Increase in the level of income in rural areas will have a multiplier effect in creating further demand for goods and services in rural areas thereby adding to increased development or wholesome development of the villages.

India has made immense progress. When we compare the conditions of 1940s in India with the present situation' we really feel the progress we have made during the last 4 decades. The food deficit has been overcome; we are one among the vast industrially developed countries, our science and technological development has been substantial. Inspite of all these developments, we see all around us unemployment, under employment, disguised employment in almost all villages in India. This was mainly due to the increasing growth of our population. All these developments the Indian economy has been able to achieve and manifest during the last 40 years are not visible to the outside world because of the ever increasing Indian population. It is also interestingly observed that the growth of population is mostly from the villages, from the poor and the weaker sections of people who live in rural areas, we would be in a position to bring them to the middle income group and thereby control growth of population.

India is rich in natural resources. We have not been able to maximise our utilisation of our river waters; a major portion of the horticultural resources is marketed directly without being processed. There has been no value added to

the horticultural products in the rural areas. Plantation crops, horticultural crops, floriculture, forest products - all these products have been directly consumed. There is a substantial scope for undertaking agro-processing and agro-industrial activities.

Rural non farm sector could be both supplementing and complimenting the farm sector. Integrated credit project for rural poor is a model project for the bankers to provide both farm and non-farm credit as a package for each family identified. There are 8 such projects in Tamil Nadu where all able bodied members of the families identified are provided credit through the banks. An important feature of this project is that it does not depend on subsidy from the State Government sponsored programme. Creation of infrastructure, common service centres also play a vital role in developing rural industries. Farmers clubs functioning as an effective chain/bridge between the bankers and department can also contribute for development of non farm investments. Self Help Groups and voluntary organisations play a very strategic role in intervening and promoting the growth of rural non farm sector investments. The District Industries Centres operating in all the districts in Tamil Nadu and the small industries organisation functioning in most of the districts can also make an attempt to establish common raw material depots and marketing units.

Credit is seen as an input rather than as a claim on resources and services. Credit does not ensure development, if other non-financial problems are not solved. Fungibility or interchangeability of credit is generally ignored by the development policy makers and administrators in India. At the beginning of the development, investment in infrastructure and non-financial services is important. Demand for credit will be based on the infrastructural development and not vice-versa.

Looking to the enormity of the areas and the experiences of some of the developing countries with identical problems, National Bank needs to make a breakthrough and adopt more innovative areas. Apart from tackling the traditional sectors of Indian local art, craft, handicraft, etc., which do not pose very big prospects for various reasons and have therefore set in rather declining trend there is need for looking into the deversified integrated rural non farm sector with vast employment generation potential like transport, construction, retail trade, agro-processing, so on and so forth with less resources intensive units. India has the advantage of the wide range of global experiences from Indonesia, Egypt, China, Japan, Italy, Mexico and Thailand.

There should be continuous efforts to transport appropriate improved technology to increase the productivity in the rural sector. Can there be a closer institutionalised interaction between National Bank and the research establishments/ universities/technical institutes?. As a long term strategy, various institutions involved in promoting decentralised and rural industries like National Bank, SIDBI, TIIC, KVIC, KVIB, DIC should strengthen researches and studies, should continuously feed the policy and planning wing of rural non-farm sector on new areas, evaluation of their performance and make appropriate technologies support the strategies in the area of marketing and extension linkages and information base.

Gandhiji and the Indian Economy*

II

Employment

Our problem of employment is multi-faceted. First we are only sure of how many are employed in the organised (factory) sector and here the scenario is daunting. The organised industrial sector has been increasing over the past 5 years at 8 to 9 per cent per annum but employment within it is not increasing, but actually declining as shown in the table below:

TABLE XXI*

(A) Growth rate of Employment (per cent)			(B) % of Unemployment to labour force for 1983 and 1987-88			
1972-73	1977-78	1983		Usual	Weekly	Daily
to	to	to		status	status	status
1977-78	1983	1987-88	1983	2.77	4.51	8.25
2 8	2.2	1.51	1987-88	3.77	4.80	6.09

Source: NSS (27, 32, 38 & 43rd rounds). Expert Committee on Population Projections.
*Daily status in employment per day.
Weekly status in employment per week.
Usual status in employment per year.

The table shows the falling rate of employment growth from 2.82 per cent in 1972-73 to 1977-78, to 2.22 per cent in 1977-78 to 1983 and further to 1.51 per cent in 1983 to 1987-88. The rural employment growth for the last period-which is almost that of recent times was a low 0.95 per cent. The unemployment data in the table shows an increasing rate for this period: the fall in unemployment recorded for the daily status means a shift in the structure of unemployment from underemployment to open unemployment.[12] Second on this basis, we can

* Part II of the Annual Gandhi Memorial Lecture by Dr. Malcolm S. Adiseshiah for the Gandhi Peace Foundation, New Delhi, January 30, 1992.

compute that in the coming 5 years (the Eighth Plan), we will have 65 million persons looking for employment comprising 28 million being the back log of the unemployment from the past 5 years (the Seventh Plan) plus the increase in the labour force of 37 million during the next years (the Eighth Plan). Third, we do not know the status of employment, unemployment and underemployment in the unorganised sector, which cover the non factory sector and employs over 81 per cent of the labour force. In other words, we are only sure of the status of the small 12 per cent. Does this employment and unemployment scenario ring a bell of what Gandhiji was concerned and warned us against? We may not agree with his out right declaration "khadi is the only true economic proposition in terms of the millions of villagers, until such time, if ever when a better system emerges of supplying work and adequate wages to every able bodied person above the age of sixteen, male or female, found in the field, cottage or even factory in every one of the village in India, or till sufficient cities are built so as to give the villagers the necessary comforts and amenities that well regulated life demands and is entitled to. Here khadi may be interpreted to include other village industries[13]— a declaration which became the source of inspiration for the All India Khadi Department created by the All India Congress Committee in 1922, which was replaced by the All India Khadi Board in 1923, replaced again by the All India Spinners Association in 1925, followed by the All India Village Industries Assosiation in 1935, the All India Khadi and Village Industries Board in 1953, — culminating in the statutory Khadi and Village Industries Commission founded in 1956 by the Act No.LXI of 1956. Gandhiji emphasised the role of cottage industry as the only way of doing away with penury and making of work and wealth impossible"[14]. He said that "a vast country like India with her millions of people having 4 months of enforced idleness on their hand could not afford to have large scale industries and yet live a life of tolerable comfort. Mechanisation is good when the hands are too few for the work intended to be accomplished. It is an evil when there are more hands than required for the work, as is the case for India".[15] The core of truth in this position of Gandhiji on employment has been accepted by the government and people from the start of the Planning. In the second Plan, when a start was made on developing heavy industry with its call for large investments and large scale production factories, for employment generation and meeting the employment needs of the country, special provision was made for the particular development of small scale industries and from the Third Plan a similar special emphasis was placed on agriculture. The current situation is that there are 17 lakh small units of all types only in the organised sector which employs 120 lakh persons. There is in addition crores of small units in what is called the informal sector in both the urban and rural areas. One of Gandhiji's thoughts set forth in the evocative term Antyodaya was picked up and used from 1977-79 to identify the poorest of the poor and help him attain self employment. The small industries has been classified in 3 groups: a) the organised small enterprises which were defined in 1966-67 as those with plant and machinery upto Rs. 7.5 lakhs which has been gradually increased to Rs. 60 lakhs in 1990; b) the ancillary units with capital upto Rs. 10 lakhs which has also been raised today to Rs. 75 lakhs; and c) the tiny units with investment upto Rs. 2 lakhs, now increased to Rs. 5 lakhs.

All the 3 groups of small industries receive various forms of subsidies in the form of low interest rates, priority in bank loans and credits, in marketing, in testing of their equipment and in training of the personnel needed. In 1991 the tiny sector has been broadened to include the services which is today the major contributor to our national income at 39 per cent compared to agriculture's 28 per cent and industry's 27 per cent. This means all small service units like cleaning, security, consultancy, domestic service etc. will become eligible for the incentives referred to earlier. There is still a lot to be done in regard to the employment generating small industrial sector which suffers from serious "sickness" of 14 per cent of the total units, of which 93.2 per cent are regarded as incurable. Similarly the various programmes inspired by Gandhiji's concept of Antyodaya are neglected by the state government who have not used even 50 per cent of the allotment made to them for these units. Similarly the agriculture sector, particularly with regard to small and marginal farmers and the landless labourers is the key to its employment generating potential and needs more investment and resources which in the coming years, (from the VIII Plan onwards) will, it is hoped, be more effectively and satisfactorily met.

Inequalities in income and asset ownership

Inequalities in income is the result of poverty, and the poverty of the mass of the people of the country was one of the main preoccupations of Gandhiji. Poverty takes two forms — absolute poverty and relative poverty. Absolute poverty is the lack of a minimum amount of food, clothing and housing to keep oneself and one's family alive. Gandhiji conceived the minimum living wage as being the wage to cover the subsistence of the worker and his family and if this minimum was not available to him, there is poverty in the absolute sense. According to Gandhiji "if the actual payment is less than the minimum living wage rate and the worker was unable to maintain himself and his family members, it is poverty, tantamount to exploitation".[16] In the early 60s we took over this minimum wage concept of Gandhiji and generalised it to cover the mass of workers who are self employed and not only employed for a wage. In fact some 80 per cent of our work force is self employed. And so we have costed the food, clothing and housing that a person needs and call it as the poverty line.[18] Taking as an indicator the minimum calories that a person needs, we have established the poverty line at Rs. 49.09 per person in the rural areas and Rs. 56.64 per person in the urban areas in 1973-74 and allowing for the inflation that has taken place, have now established it at Rs 89 per capita in rural and Rs. 111.2 per capita in urban areas. If we assume that a family consists of a father, mother and three to five children we must multiply this per capita figure by 5 or 7 to arrive at the minimum for the family. Those who do not earn this amount are in poverty. On this basis, I have computed that the number of our poor (who are not able to spend the amount indicated) is 322 million in 1988[18]. Inspired by Gandhiji's special programme of khadi, which he regarded as the sun of the whole industrial system and village industries which for him were to receive their warmth and sustenance from the Khadi industry[19], we have today developed special poverty alleviation programmes called the Jawahar Rozgar Yojana, which combines the National Rural Employment programme (NREP) and Rural Labour Employment Guarantee Programme (RLEGP), the Integrated Rural Development Programme (IRDP), the

Training of Rural Youth for Self Employment Programme (TRYSEM), the Special Employment Programme for Urban Poor (SEPUR), and the Minimum Needs Programme which aim at contributing 42 per cent of our poverty alleviation effect. The other 58 per cent is due to the more general programme of the small scale industries referred to earlier, the renovated programme of agriculture, fisheries and animal husbandry. How far these programmes are effective in reducing the number of people living in poverty is a worrisome question, because the data shows the number of persons which the programme is able to lift above the poverty line is a little less than the new generation of those born into the poor families. That is why my studies show in contrast to that of the government data and claims that the number of the poor has been stagnant over the last 2 decades. I am convinced that the only way to alleviate poverty and ultimately to eliminate it is to adhere strictly to Gandhiji's system of decentralised production, and its corollary today in decentralised planning and execution of all such plans and programmes at the village, panchayat, mandal and block level because only the village knows the facts of poverty and how to deal with it. Turning next to relative poverty, which is the coexistence of a majority of people being poor, as defined above and a small minority being rich and well to do, several issues arise. First, Gandhiji's doctrine of trusteeship which he saw as a means for correcting the inequalities of assets ownership emanates from his over riding belief in non violence to bring about a change in the unequal social relationship without violence. He also had a profound belief in the goodness of human beings and so appealed to the higher sense of landlord and the industrialist. To Gandhiji, every well to do person must consider himself a trustee of all his wealth - "What wealth or income a person retains should be twelve times the minimum income that a poor person has. The trustee has no right to use or misuse his wealth as he likes. The only portion to whose free use he is entitled is the one which is necessary for his own existence, its maximum being determined not by himself but the state"[20]. Gandhiji may have also been influenced in formulating this trusteeship doctrine by the life and example of Jamnalal Bajaj, whom he adopted as his fifth son. Coming from one of the richest families, Bajaj placed all his wealth and possessions at the disposal of Gandhiji and his programme of fighting poverty and inequalities. He helped with the housing needed by Vinoba Bhave who tried to put into operation the doctrine of trusteeship in his programme of the Bhoodan Yajna. Looking at the totality of the effects of this doctrine of trusteeships, I feel that Gandhiji's optimistic view of human nature was misplaced and so his doctrine has not been become effective in society. It certainly is a counter to the Kuznetsivian thesis that there is a conflict between growth and equality which the Planning Commission in the 60s seems to have accepted.[21] Each of us has the moral duty to act as Trustees of our possessions, even though the doctrine itself is not being applied nationally. On inequality of assets, the land reform programme which is aimed at limiting the amount of land that a person can own is not even one quarter way through. RBI studies[22] show the worsening of the distribution of rural assets between 1961-62 and 1971-72, and that in 1981-82, the bottom 30 per cent rural households own 5 per cent of rural assets, while the top 5 per cent own 46 per cent. The Annual report of the Development 1986-87 [23] points out that

on the basis of the results of the 1980 Agricultural Census the lands that should be declared surplus are 216.52 lakh acres and not 76.78 lakh acres, which is being used as the base for the programme by the government. As of now the government has declared only 73.48 lakh acres surplus and actually distributed 44.92 lakh acres to the landless poor. The land reform legislation needs to be restructured and vigorously pursued, removing it from the jurisdiction of the courts. Again on non land assets there is need for state regulation of the amount of shares and securities that a person can have and the amount of dividends accruing from them, including clamping down on the underground economy. I notice that this kind of ultimate state control was envisaged by Gandhiji who talked about the minimum living wage and the maximum living wage and the maximum earning of a person which the state should regulate.

The underground economy and the moral issues

The underground economy (I do not use the common term Black economy, Black money because I do not believe that black is morally bad and so I do not want to use a racist term) may have existed in the days of Gandhiji particularly during World war I but it was for him to be countered through his belief and instruments of truth and non violence. Further, there were other matters flowing from the poverty of the people which demanded his immediate attention, and about which he felt that he and people could do something. Today the underground economy increasing, multiplying and developing in all directions — in smuggling, in over and under invoicing, in salting away funds earned abroad in tax free heavens, in presenting false accounts of one's income and assets in order to escape taxation — income tax, corporation tax, gift tax, sales tax and estate duty. Apart from these illegal forms of making money and building up one's assets, there is the government tolerated havala maket which coexists with the legal stock exchange and commercial banks, where the rupee is exchanged for dollars at illegally higher rates and the illegitimate funds that one has is laundered and converted into legitimate funds. Further, there is the problem of tax avoidance in which all well to do persons and most top business houses are engaged. When I was in Parliament the government presented to us members of Parliament, a list of 100 of our top companies which do not pay any taxes, and as a result lose from their source about Rs.3000 crores of tax revenue every year. In 1983, the government requested the National Institute of Public Finance and Policy to review this situation and make an estimate of the amount of illegal money and wealth in the country. The Institute undertook a study only of the funds which evade taxes, leaving out all the other facets of the underground economy, and in June 1985 presented its conclusion that as a result of its review, its conclusion that in 1984-85, Rs.36,780 crores are the illegitimate funds accumulated through escaping taxes.[24] One of the characteristcs of this illegitimate money and the assets is that like the ticks on a dog, it circlates only within itself, the circle of the underground economy (except when it is laundered), and multiplies itself by atleast 25 per cent every year. My studies show that it is about 40 per cent of our national income at Rs.100,000 crores today. One very disturbing feature of this growing stock of illegitimate money is that it has entered our political life — the parliament and

the state legislature. The law places a low ceiling for election expense, on which each candidate spends 5-6 times that ceiling. Here the illegitimate money holder is able to enter the political sysem and purchase members of parliament and state legislatures through their large contribution to the candidate election expenses. As a quid pro quo he is able to hold the member to ransom and obtain all the legislative paradigms and facilities that he wants. In addition a staff study by the International Monetary Fund on the basis of data available to it in 1988 concludes that about $2 billion (Rs.6000 crores) are stacked by our well to do businessmen abroad in Switzerland, Lichtenstein, Jersy island and other tax free havens instead of being remitted back to this country. This underground economy is, as noted earlier, multiplying every day and spreading its tentacles in all aspects of the economy, drawing into its circles more and more people — some of them perfectly innocent. Today for instance one cannot purchase a house or flat in Bombay, Calcutta, Delhi, Madras or any of the large metropolitan centres without paying the house owner a part of the purchase price in this illegal money. Infact it is openly known that if one wants to buy a dwelling unit in Bombay one should be ready to pay 50 per cent of the price in illegal money, which enables the seller to conceal this part of the sale and avoid paying that part of the tax in the form of revenue (registration) stamps. This applies to every major article like motor cars, where the illegal payment is called the premium), second hand air conditioners, frigidaires etc. No one who wants to purchase wholly with legitimate funds can buy any of them. The government has had schemes since 1960, giving various inducements to the holders of illegal wealth to declare it to the government and pay the tax involved - the major inducement being that no question will be asked about the source of the concealed money and a part of it, usually 50 per cent, is exempted from any tax. Currently there are 3 schemes to induce this illegitimate money to become legitimate and as the response has been poor, the deadline for this declaration has been repeatedly extended. This whole exercise encourages corruption, lying, deception, cheating and all the false values of life in addition to its being unsuccessful in attracting the illegitimate funds and being very unfair to the honest tax payers.

This brings to a focus the moral basis of life both individually and socially. For Gandhiji, the centre of life was Truth and non violence. We all know that these two realities, Truth and Non Violence, governed his whole life and everything he did, everything he taught and propagated, and everything that he acted on proceeded from these two basics. The proofs for him of these principles were within oneself. . . "There comes to us moments in life when about some things we need no proof from without. A little voice within us tells us, you are on the right track, turn neither to your left nor right, but keep to the straight and narrow. With such help we walk forward surely steadily. . . Here society is a ceaseless growth, an unfoldment in terms of spirituality".[25] For Gandhiji, economics was the "outflow of spirituality" and all his economic thought, action, teaching, his economic precepts and practice were based on this moral foundation. This means that Gandhiji's economic ideas and precepts cannot be practiced without this moral base, which itself rests on twin truths of Truth and Non Violence. Today we are far away from the spirituality which Gandhiji wanted to develop in us. We have developed the opposite qualities of untruth

and violence of all hues and forms. Hence no attempt has been made in this lecture to set forth and follow Gandhiji's economic advise and action in their totality, because without its moral base, its spiritual foundation, it will be an empty kernal as it is to most of us today. Because of this tragic dilemma, I have tried to extract on every one of the 5 major facets of our economy today, the basic truth, the hard core principle that I derive from him and suggest its application to us as individuals and as society in our every day life. Can we, on this solemn memorial day of that great man, give some thought to the basic hardcore as it applies to some of our major concerns and attempt to apply and follow them? That is my hope and prayer on this Gandhi Memorial Day.

(concluded).

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DYING DINOSAUR : PLIGHT OF HIGHER EDUCATION IN INDIA

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HIGHER education in India has often been likened to a dinosaur, which has a huge body and a long tail but a tiny little head (see Raza and Aggarwal 1991: 46). Though consuming a disproportionately high proportion of resources for education and growing incommensurately with its socio-economic ecology, this creature of the colonial era has been showing signs of interminable ill-health, and is, in fact, *in extremis*. Based on the author's earlier work on the policy, performance and problems of higher education,[1] this paper presents a pathology and prognosis of higher education in India.

Four Decades of Expansion : Road to Crisis

The foundation for the system of higher education in India as it exists today was originally laid by the British colonial regime in the mid-19th century. But the phenomenal expansion of this colonial legacy is essentially a post-independence phenomenon. Not only in its size has the system no parallel in the world, but it is also claimed to be the parent of the third largest force of scientific and technical manpower in the world.

A few figure will substantiate the explosion of higher education during the last four decades.[2] In 38 years between 1950-51 and 1988-89 the number of universities increased from 28 to 171[3] (by 6.1 times), the number of colleges from 695 to 6912[4] (by 9.9 times), the number of teachers from 24,264 to 249,068 (by 11.7 times), and the number of students from 174,000 to 3,948,000 by 22.7 times)[5]. The outlay on university and technical education increased by 42.1 times, from Rs. 340 million in the First Five Year Plan (1951-56) to Rs. 14,320 million in the Seventh Five Year Plan (1986-90).

What is particularly noteworthy about this "era of higher education" in Indian educational history, as Naik (1982: 159) appropriately describes it), is that (a) the expansion of higher education is taking place in a largely illiterate (about 65 per cent of the population according to the 1981 census) society, and (b) despite the low rating of education *per se* in the order of national priorities, the percentage of expenditure on education in the total plan outlay has steeply declined from 7.9 in the First Five Year Plan to 3.6 in the Seventh Five Year Plan.

Behind the facade of impressive statistics on the expansion of higher education hides its continuing crisis, Naik (1982 : 163) succinctly summarizes the nature of this crisis as follows:

> Over-production of "educated" persons; increasing educated unemployment; weakening of student motivation; increasing unrest and indiscipline on the campuses; frequent collapse of administration; deterioration of standards; and above all, the demoralizing effect of the irrelevance and purposelessness of most of what is being done.

Thus, in terms of its efficiency, productivity, and utilization of resources the system has completely broken down (Singh 1980: 5).

No wonder then that hardly anyone refers to higher education without a pessimistic sigh. It is dubbed as an immobile colossus, "intensive, "insensitive to the changing contexts of contemporary life, unresponsive to the challenges of today and tomorrow, and absorbed so completely in trying to preserve its structural form that it does not have the time to consider its own larger purposes" (Dube 1988: 46).

Under-Graduate Courses in Affiliated Colleges : Crux of Crisis

The term higher education suggests too much of a homogenity. Even a casual inspection would reveal the enormous structural diversity within the system of higher education. There are different types of universities (the Central, the State, the Deemed, and the Open), institutions of national importance, an assortment of Institute under the umbrella of the "Councils" of Research in Science and Industry, Social Sciences, History, and Philosophy, and the traditional institutions of higher learning in theology and religion, besides a large and varied number of university/government run colleges and grant-in-aid or non-grant-in-aid privately run affiliated colleges. These institutions vary in terms of their financial support and the socio-economic relevance of their activities in realizing the national goals, apart from the quality of faculty and students in terms of their academic preparations, abilities, motivations and commitment.

Obviously, the crisis confronting the system of higher education is not the same or even similar in all types of institutions or at all stages of higher learning. But there is no gainsaying that the vicissitudes of the crisis are most glaring in the university education in general and at the undergraduate level in affiliated colleges in particular.

It must be noted that an abnormally high 80 to 85 per cent of the students in higher education are enrolled in liberal science courses in affiliated colleges. In 1988-89 those enrolled in Arts (40.3 per cent), Science (19.7 per cent) and Commerce (21.5 per cent) together accounted for 81.5 per cent of the students in higher education; those enrolled in Engineering/Technology and Medicine accounted for only 4.6 and 3.6 per cent respectively, and those enrolled in Agriculture and Veterinary Sciences accounted for a minuscule 1.3 and 0.3 per cent respectively.

The unplanned and haphazard growth after independence of the inherited system of higher education was inevitable in the absence of any viable alternative, lack of information regarding the anticipated manpower needs of economic development, and the populist pressure for more education. While there was a spurt in the social demand for higher education, no one bothered to investigate

the nature of this demand or its socio-economic impact.

The school leavers (16-18 age group) in India do not acquire the type of vocational skills which their counterparts in the industrially advanced countries in the West acquire at school. If their family circumstances permit they knock at the doors of colleges. A vast majority of those who enter colleges are motivated not by any genuine interest in learning, but only by a desire to obtain a degree, which they perceive to be a passport to the comfortable world of white-collar jobs, or, in the case of girls, as a stop-gap arrangement till they get married.

With certification having become the most important, if not the sole function of higher education, the processes of teaching and learning have got distorted. The role of tuition classes or "teaching shops" as a vital supplement to collegiate education is to be understood in this context. Worse still is the fact that the system has become a fertile ground for nepotism, cheating, corruption, and violence. It is the resulting disenchantment and despair which is at the back of the policy of delinking degrees from jobs, proposed yet again in 1985.

A direct and inevitable consequence of the rapid proliferation of colleges and universities and the undue emphasis on examination has been the deterioration of the quality of education. The infrastructural facilities of many institutions of higher learning are so deplorable that they have earned the sobriquet "academic slums". On the University Grants Commission's own admission, 30 per cent of the colleges are non-viable. Added to this the syllabi and curricula of higher education are observed to be irrelevant or of dubious value. It is not surprising therefore that the degrees awarded by Indian universities are not regarded by many a foreign university as equivalent to its degrees. In fact, employers within the country itself are wary of these degrees.

Most Indian universities are so engrossed in the routine activity of preparing students for the examination that they have little time, energy or motivation to do research. The doctoral enrolment has no doubt increased from 1,435 in 1850-51 to 43,427 in 1988-89 (by 30.3 times), but in the same period its share in the total enrolment has increased from 0.83 per cent to 1.10 per cent only.

The number of Ph. D. degrees awarded has gone up from 815 in 1961-62 to 7,275 in 1987-88 (by 8.9 times). Nearly 80 per cent of these 7,275 doctorates were accounted for by Arts (40 32 per cent and Science (39.07 per cent) faculties. Engineering/Technology and Medicine accounted for a small 3.24 and 1.28 per cent respectively, and Agriculture and Veterinary Science accounted for 7.66 and 1.02 per cent respectively. The share of other faculties like Commerce (3.09 per cent), Education (2.82 per cent) and Law (0.70 per cent) is very low.

However, as Raza and Aggarwal (1991: 49) aver, "highly disturbing alarm signals are already coming from the quality front". Cases of plagiarism, cooking of data, and nepotism and favouritism are being discussed with increasing frequency. The insistence on a doctoral degree for entry into the teaching profession in higher education is held to be responsible for creating "a 'black' market for doctoral work wherein, in terms of the Gresham Law, the bad coin tended to push out the good". This policy has since been withdrawn, and financial support to doctoral research is now being regulated through the mechanism of National Educational

Testing. Another consequence of the rapid expansion of higher education has been the increase in the demand for college teachers. Studies on college teachers have invariably underlined the sad deficiency of academic preparation of people entering the profession and their declining commitment to it. The National Commission on Teachers (1983-85) also bemoaned the fact that most of the teachers are making a living and not following a vocation.

Part of the explanation for the deplorable decline in the quality of teachers lies in the equally deplorable standards obtaining at the post - graduate levels. But more serious is the fact that "higher education today has started feeding upon itself." A substantial number of post-graduates find employment within the sector of higher education. "As the demand for higher education grows and is met, this means more and more jobs for those who might otherwise have been unable to find jobs" (Singh 1988: 7). This, a vicious circle of mediocrity has come to prevail in higher education

The foregoing situation implies that the poor equality of higher education has in a sense a multiplier effect and puts the system beyond redemption. Bhoite's (1987) study of the new genre of college teachers in small towns and the professional and social setting in which they work clearly brings out how the system has evolved an orthogenetic element of resistance to change.

Subsidization and Inegalitarianism

An important factor behind the rising social demand for higher education is the high state subsidization (about 85 per cent) which makes it very inexpensive for the beneficiaries. The fees have only been marginally revised upwards though the cost of living has gone up considerably. In fact, state subsidized higher education is cheaper than primary and pre-primary education education in the private sector. The greatest lapse in the education policy has been the failure to evolve a rational fee structure. The Acharya Ramamurti Committee, which was appointed by the National Front government to reexamine the "new" educational policy, has strongly favoured the enhancement of the present unconscionably low fees for higher education with concessions to the weaker sections of society.

Of course, the subsidization of higher education is often defended on grounds of equalizing educational opportunies. The open door policy allowed access to tens of thousands of people from sections which had thus far remained excluded from the portals of higher education. To the extent that many of them happended to be first generation educands in institutions of higher learning there was a partial substitution of "sponsored mobility" by "contest mobility". But in view of the operation of a mobility sponsored through private schools into elite institutions, and the legitimization of the systems by "early selection" and "mass examination", this contest mobility is observed to be only an illusion (see Kumar 1987). That is, the high subsidization of higher education in reality benefits the better-off sections of the society.

Declining Resources and Stranglehold of Private Enterprise

Closely associated with the high subsidization of higher education is the steep decline in the proportion of the outlay on education at all levels to the total plan outlay, from 7.9 per cent in the First Five Year Plan to 3.6 per cent in the

Seventh Five Year Plan. Though the allocation for university and technical education remained stable in terms of percentage of the total outlay on education (22.2 in 1951-56 and 22.4 in 1986-90), as a proportion to total plan outlay it declined sharply (from 1.8 per cent to 0.8 per cent).

Even so, the per pupil expenditure is the highest for the institutions of higher education and has been increasing. This is more so in professional courses. And Varghese (1987 : 83) has argued effectively that "when there is financial constraint, allocations to general education will be more affected while those to professional education will be more favoured".

The inadequacy of resources at government's disposal for higher education and the fact that the investment on higher education in general and professional education in particular is a profitable proposition have placed private enterprise in a commanding position in the realm of higher and professional education. Nearly 75 per cent of the colleges for general education and over 50 per cent of the colleges for professional education are privately managed.

Private control over education is far more pervasive than what either its domain or legal authority would suggest. Based on an intensive study of seven colleges in Kanpur, Nirmal Singh (1983) has examined the nature and consequences of the resulting "siege" of public education by private control. His analysis reveals that with the emergence of second and successive generations of private managements, the early munificence and genuine concern for education have waned. And, with the increasing possibility of converting educational resources into non-educational services and goods, the private managements came to acquire more and more the characteristics of a specialized "pure" management. The perspectives in respect of the Kanpur colleges obtained by Nirmal Singh's analysis may well be true of private colleges elsewhere in the country.

Macro Problems

The expansion of higher education over the decades without a corresponding development of the economy which can absorb its products has resulted in an intractable situation of education — employment mismatch (see Jayaram 1990 : 89-109). The incidence of unemployment among the educated persons has been increasing annually. While unemployment is not unknown among Medical and Engineering graduates, it is widespread among Arts, Science, Commerce and Education graduates. That is, the undergraduate sector of higher education, in the words of Raza and Aggarwal (1991 : 57) "largely performs the waiting room function not only for a relatively smaller number of employable unemployed, but for a considerably larger horde of the unemployable unemployeds".

The increasing availability of people with educational credentials in relation to the availability of jobs has resulted in a constant escalation of educational qualification for jobs without any necessary relation ro more effective job performance or sophistication demanded by the economy: Agarwal (1985 : 68)[6] quotes Panchmukhi's estimation of the devaluation of education by 5.8 per cent between 1954 and 1974 and 6.9 per cent between 1964 and 1974. If the experience requisite for jobs is also taken into consideration the devaluation for the latter period rises to 11 per cent. Such a devaluation is noticed in 22 out of 28 job categories examined.

The paradox of the situation is, as Dore (1976 : 4) epitomized, "the worse the educated unemployment situation gets and the more useless educational certificates become, the *stronger* grows the pressure for an expansion of educational facilities". According to him, if one finds that the education he has acquired does not get him the job on which he has set his sight, then he will try to get *more* education. Thus, as mentioned earlier, the "thirst" for education is linked largely to the acquisition of educational credentials with the hope of getting better jobs or some job, and has nothing to do with a disinterested desire for knowledge. The thirst is easily quenched as higher education is very highly subsidized.

Doomed Reform : The Commissions and Policy

Diagnoses of the crisis in higher education generally reiterate that the legacy of higher education inherited at the time of independence in 1947 was already crisis ridden. As an integral element of colonial underdevelopment, higher education was "anaemic, distorted and dysfunctional". Low level of enrolement, 'liberal" nature of education, enclavization of the institutes of higher learning, and spurious modernization were its festering features (see Raza, Aggarwal and Hasan 1985 : 100-09).

It is true that the social institutions, cultural values, and patterns of behaviour implanted and nurtured with the help of economic sanctions and political force over a prolonged period of two centuries of colonial rule are hard to be radically transformed in the course of a few decades. But cultural inertia can hardly be a perpetual excuse. In fact, this failure is to be explained only by the lack of a political will, if not also the lack of an ideological direction, on the part of the leadership, traceable to a vested interest in the *status quo* (Jayaram 1990: 45-59).

Since independence the Government of India has mechanically followed the time-honoured colonial practice of appointing a committee or a commission to study the crisis in the realm of education in general and higher education in particular. The University Education Commission of 1948-49 (Radhakrishnan Commission) examined the development of higher education and made proposals for its future expansion and improvement. A similar enquiry in regard to secondary education was carried out by the Secondary Education Commission of 1952-53 (Mudaliar Commission).

These two Commissions, or for that matter any commission appointed in the pre-independence period, looked at education in a compartmentalized fashion (higher education *or* secondary education) and totally ignored primary and adult education. The Education Commission of 1964-66 (Kothari Commission) was the first commission in India's educational history to look comprehensively at almost all aspects of education, and evolve a blue-print for a "national system of education".

Having influenced the two Statements on the National Policy of Education (1968 and 1979), and through them the policies and programmes adopted in the Fourth, Fifth and Sixth Five Year Plans (1978-83), the Report of the Kothari Commission has been on the anvil for over a decade and a half now. However the educational developments in the country since the Report was first published "show marked variations with those postulated by the Commission" (Naik 1982.).

This is partly attributable to the deliberately normative path that the Commission chose as is revealed by the eight premises set forth in Chapter III of its Report (quoted in Naik 1982: vi).

> (1) strong Central and State government that would be committed to educational development, (2) stable political conditions, (3) declining birth rate, (4) a growth of national income at 6 per cent per annum, (5) a lessening of social tensions due to effective development, (6) a strengthened and revitalized bureaucracy, (7) a committed and competent body of teachers, and (8) a community of students dedicated to the pursuit of learning.

With most of these premises turning out to be wishful thinking in view of the operation of socio-economic and political coustraints, the thrust of reform was expectedly doomed.

Nevertheless, it can hardly be gainsaid that the powers that be, handled the Report in a "slipshod manner". The Public Accounts Committee (1977-78:11) of the Sixth Lok Sabha characterized the University Grants Commission's approach to the recommendations of the Education Commission (1964-66) as "perfunctory and insubstantial". The University Grants Commission being only an admintstrative handmaid of the government, however, cannot be solely held responsible for the pathetic outcome. The Ministry of Education which processed the Report totally obliterated it by treating in a piecemeal fashion selected aspects of what was conceived as a package deal (see Naik 1982: 31-32).

An important strategy of the government for dealing with a report of a committee or a commission has always been to obviate any controversial debate on it by accepting its recommendations in principle. Considering this the latest exercise in policy formulation by the government is unorthodox. In August 1985 the Ministry of Education (since reorganized as the Ministry of Human Resources Development) presented to the Parliament a 119-page document. This document was intended to act as a catalyst and elicit the views and opinions of all those dealing with or interested in the complex task of "restructuring the system of education" confronted by a crisis.

This document, known popularly as "the 'new' educational policy", is perhaps the most remarkably candid and forthright one to have come from the government, admitting the failures on several fronts and acknowledging the innumerable mistakes. The apparent honesty of approach of the document cannot hide the fact that it is basically an updated record of the all too familiar statistics of the educational achievements and blunders, and a restatement of many of the old educational ideas, whose roots can be traced to the umpteen unimplemented or inadequately implemented reports of various committees and commissions. A closer scrutiny of the document reveals that some of the problems have been toned down and that on others there is a studied reluctance on the part of the government to commit itself (see Jayaram 1990: 215-26).

The document lays the utmost emphasis on higher education, as it "can provide ideals and men to give shape to the future and also sustain all other levels of education", and is therefore, "the single most important indicator of... country's future" (Ministry of Education 1985: 6, 47). Among the key policy measures contemplated by the document are .

a) delinking of degrees from jobs,

b) diversification of courses,

c) placing a moratorium on the expansion of the conventional pattern of colleges and universities,

d) selective admission to higher education based on "scholastic interest and aptitude",

e) establishment of new centres of excellence,

f) decentralization of educational planning, administration and monitoring, and

g) depoliticization of the acedemia.

It is rather too early to offer a conclusive evaluation of either the nature of the implementation of the programmes engisaged by the "new" educational policy or the efficacy of particular programmes. But, considering the nature of the constraints to be encountered, one cannot be too optimistic about the outcome of this policy. If past experience is any guide, what we can expect is *ad hoc* piecemeal tinkering with the system rather than its overhaul with grit and determination. In the meantime the hiatus between the worsening crisis and its feeble handling grows wider.

Planning : Inept Exercise

One of the main constraints on the formulation and implementation of educational policy for higher education is built into the very process of planning. In a quasi-federal polity like India, educational planning becomes a part of the overall national planning. Besides assuming an active participation of the constituent states, the national planning tends to be overwhelmingly macro in perspective and is expenditure-oriented. Moreover, higher education being a concern of more than one governmental department the educational plan does not present a coordinated picture. All this inevitably has an adverse effect on the implementation of the plan.

Education was in the "state list" until 3 January 1977, when the Constitution was amended to bring it under the "concurrent list. Though the central government thereby established supremacy over education, the hopes of reform that this relisting aroused have not materialized at all. With the gradual deterioration of the relationship between the centre and some of the states during the course of the last two and a half decades, no government at the centre can confidently take any bold steps in the realm of education. Thus, "the federal dilemma asserts itself" (Pinto 1984 : 163).

The absence of a single machinery to look solely after the planning for higher education has often been mentioned, and the Third Five Year Plan took a serious note of this lacuna. The responsibility in regard to higher education is divided among various departments, and the state government's involvement is only peripheral. The state governments pass the buck on to the universities, which, being totally dependent on state funding, plead inability to take up this responsibility. Presuming that the state governments can chalk out an excellent plan for higher education, they can hardly be assured of its implementation, as they are humiliatingly dependent on the central government for funds. Thus, the restructuring of centre-state relations on the lines of "cooperative federalism" is a *sine qua non* for any planning and management of higher education (Pinto 1984 : 185).

Implementation : Ineffective Control

The University Grants Commission established by an Act of Parliament in 1953 is an unique educational authority

vested with the powers to provide funds and to determine and coordinate standards of higher education. Though it is expected to play a lead role in higher education, as its "nerve centre", it is endowed with very little power (i.e., it can only withhold grants). But in view of the diarchy in higher education, with the Commission trying to oversee higher education and the state governments regulating it in practice, even this power it can harldy exercise.

Thus, the Commission has turned out to be merely a fund-disbursing agency, without the power to enforce any of its recommendations. The Estimates Committee (of Parliament) in its Sixty-sixth Report presented to the Parliament on 30 March 1989 expressed grave concern over the uneven growth of the universities and bemoaned that the Commission has been a silent spectator in this regard (*Indian Express*, Bangalore, 31 March 1989)[7]. The Commission has also been assailed in the Lok Sabha for its failure to check the proliferation of illegal and spurious universities which have sprung up in several parts of the country (*Indian Expres*, Bangalore, 4 May 1989). So, higher education in India has been an unbridled horse so far.

Islands of Excellence in an Ocean of Mediocrity

In view of the irredeemable impasse in which higher education in general is in today, and considering the critical requirements of enlightened, sophisticated and creative manpower; it is hardly surprising that the government is concentrating on "centres of excellence" while allowing the body of higher education to die a natural though prolonged death. Since the late seventies, a three tier scheme for realizing excellence — the Departments of Research Support (DRS), the Departments of Special Assistance (DSA) and the Centres of Advanced Studies (CAS), in the ascending order — has been evolved by the University Grants Commission, and specific centres and departments have been identified by it based on their work, academic reputation, existing facilities and potentialities. This scheme has no doubt "injected a degree of vitality in a system which was becoming moribund and breaking down under the increasing weight of its own size and the consequent thinning spread of limited resources" (Raza and Aggarwal 1991 : 41). Only a systematic review of this scheme in the next few years will reveal how far it has been able to realize its objectives.

The prospective scenario is thus clear. The system of higher education will continue to produce a small quantity of high quality products from a small number of excellent centres of learning. These products will have currency in the national as well as the international community of scholars. The very large quantity of poor quality products from "academic slum" will join the swelling ranks of the unemployed and the under-employed. As Raza and Aggarwal (1991: 41) rightly observe, "their discarded hopes and cynical frustrations provide fertile ground for blind turmoil, sterile unrest and directionless ferment".

Conclusion

There is no dearth either of the diagonoses of the crisis confronting the system of higher education or of its remedies in the form of rational policies[8]. If the mounting problems point to the loss of vitality and moribundness of the system, the experience hitherto of policy formulation and plan implementation hardly permit any optimism. Both the diagonoses and the remedies are, by

and large, foredoomed as they have approached the educational crisis *sui generis*.

It is important to realize that the development of education in the post-independence era can hardly be understood apart from the socio-economic and socio-political context in which it has taken place. Since these contexts themselves manifest symptoms of a crisis one can hardly expect a radical restructuring of education to take place independently of a simultaneous transformation of the socio-economic edifice. Hence, successful policy of higher education, or for that matter education itself, has to he conceived in keeping with a vision of the kind of society for which the people are to be educated. Only if the political elite are committed to such a vision and are willing to make the requisite sacrifices for realizing it, can a policy tailored to its needs emerge.

Notes

1 In outlining this paper I have drawn heavily on my paper "Higher Education: State Policy and Social Constaints" (Jayaram 1989-90). I have also used some of my earlier essays on higher education in the volume *Soiology of Education in India* (Jayaram 1990).

2 The statistical information on the number of institution, the enrolment of students, the number of teachers, etc. is drawn from Raza and Aggarwal (1991). The information on financial allocation is drawn from the respective Plan documents.

3 The figure include the 27 institutions which are designated as "Deemed to be Universities" under Section 3 of the University Grants Commission Act, 1953.

4 This excludes junior colleges and colleges having only diploma or certificate courses.

5 This excludes those enrolled in pre-university and pre-professional levels. Incidentally, the percentage of students in higher education to the total population in the age-group 17-23 years increased from 0.8 in 1950-51 to 4.8 in 1980-81.

6 Approximately defined in terms of "a lower wage obtained by an educated person in relation to what he would be expected to get in ideal conditions" (Agarwal 1985 : 68).

7 Of the 28 new universities established during the Sixth Five Year Plan and the first two years of the Seventh Plan, in as many as 13 cases there was no effective consultation between the Commission and the respective state governments. In fact, the Commission had not even received survey information in five of the 13 cases.

8 For a comprehensive bibliography, see Raza and Malhotra (1991).

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HUMAN RESOURCES DEVELOPMENT IN HIGHER EDUCATION

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The objective of this paper is to discuss the concept and importance of Human Resources Development (HRD) and its application to the education sector in general, and to indicate the mechanisms for developing teachers, one of the most important resources of higher education system.

Importance of Human Resource

The most important and valuable resource of an organisation is its employees. Unlike its other resources, human resources have rather unlimited potential capabilities. Organisation can become dynamic and achieve excellence only if this potential can be properly developed and utilised. Dynamic people can build dynamic organisations. Effective employees can contribute to the effectiveness of the organisation. Competent and motivated people can make things happen and enable an organisation/institution achieve its goals (Rao 1990). Therefore, organisations through systematic and planned HRD efforts should continuously ensure that the dynamism, competency, motivation and effectiveness of the employees remain at high levels.

The Concept of HRD

HRD is the process of helping people to acquire competencies. In an organisational context HRD"...is a process by which the employees of an organisation are helped in a continuous and planned way to:

1 acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;

2 develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organisational development purposes;

3 develop an organisational culture in which supervisor sub-ordinate relationships, team work and collaboration among sub-units are strong and contribute to the professional well-being, motivation and pride of employees (Rao 1985).

Mechanisms like performance appraisal, feed back and counselling, potential development, job rotation, rewards, training and organisation development (OD) can facilitate the process of HRD described above.

The corporate sector in India has started increasingly recognising the importance of HRD, over the last one and a half

decades and is adopting a variety of approaches and strategies for developing its human resources in a formal and systematically planned manner, in order to achieve organisational effectiveness. Their is a rapidly growing literature which documents the HRD experience in the corporate sector in India (See Rao and Pereira 1986; Rao, et, al., 1988; Silvera 1988; National HRD Network 1989; Maheswari, et.al., 1990). Ironically in the education sector, whose key responsibility is to develop the nation's human resources, not much attention is being paid to the systematic development of its human resources.

Highlighting the importance of HRD in the education sector Rao states :

> Education itself aims at development of human resources. Therefore when we talk of HRD in education we are talking about the development of those human resources involved in education. These include : teachers, headmasters, principals, support staff working in education institutions, heads of university departments, vice-chancellors, educational administrators at the local, district, state and central levels, planners and policy makers. Developing all these categories of people becomes extremely important as the effectiveness of education depends upon how well they perform their roles. People at different levels and performing different roles require different competencies to be effective in their roles. These competencies are also changing from time to time as the environment is changing ; knowledge base is continously improving and the needs are changing. Such a dynamic and changing environment requires an equally or even faster developing human resources to cope with it. Hence there is a need to develop continuously the capabilities of the people involved in education (Rao 1986).

On the basis of a review of literature in the area of HRD in India, Rao and Abraham (1991) point out that "there is an urgent need for HRD researchers to study the nature of public systems (govt. departments, service institutions like universities, colleges and hospitals) to identify the HRD needs and design HRD systems for these organisations".

In the following pages, after a brief statement of the pivotal role played by teachers in the education sector, a bird's-eye view of the human resource management and development systems for teachers in higher education is presenred.

Importance of Teachers

The role and importance of teachers in influencing the quality of the educational process and its product is beyond question. "The destiny of the country is being made in the classrooms and the teacher has an important and vital role to play in the total programme of national development and social change" (Government of India 1991). The Indian Education Commission (1964-66) declared that "Of all the different factors which influence the quality of education and its contribution to national development the quality, competence and character of teachers are undoubtedly the most significant" (Chapter III).

The National Policy on Education has also emphasised the important role of the teacher thus : "The status of the teacher reflects the socio-cultural ethos of society; it is said that no people can rise above the level of its teachers" (Government of India 1986 IX : 9-1). If the teachers are not performing their role effectively then to that extent the nation's human resource quality gets affected. So if we want the nation's human resources to be developed to its optimum level, we must first develop the teachers.

Selection and Appointment of Teachers

On proper selection depends the quality

of intake and on intake depends the effectiveness of teachers development. The importance of selecting the "right" person for the role of a teacher cannot be over emphasised :

> If competent teachers can be obtained, likelihood of attaining desirable educational outcome is substantial. On the other hand, although schools (*and higher educational institutions*) may have excellent material resources in the form of equipments, buildings and textbooks, and although curricula may be approximately adapted to community requirements, if the teachers are misfits or are indifferent to their responsibilities, the whole programme is likely to be ineffective and largely wasted (Ryans 1959).

Referring to the unresolved debate of excellence versus equity with regard to teachers selection Venkataiah has cautioned thus :

> There are some teachers who work without any high motive or ideal but merely to earn their living. The recruitment of incompetant persons to the teaching profession on the basis of discrimination is the very negation of democratic principles and the greatest disservice to the budding citizens who have a right to expect the most efficient and helpful instruction at the hands of capable and talented teachers. The profession should not become dense with unsuitable members who get entry into it on consideration other than merit (Venkataiah 1991).

Job security offered by the teaching profession makes it all the more important that a "right" person with the appropriate knowledge, skills and attitudes is selected. Unlike in most other profession, the possibility of rectifying a wrong selection by transfer to a more appropriate role within the organization rarely exists in an educational institution. The freedom and flexibility the teaching profession offers, quite often gets misused by a misfit to the profession who would spend most of his time on politicking than on academics.

The present selection procedure is based on academic qualification, publication and performance in interview.[1] Pointing to the lacunae in the procedure Dwivedi ahd Kushawaha (1988) state thus:

> (i) it is clear that paper qualifications are not the correct index of knowledge, specially today when the examination system or system of evaluation is flawed. (ii) the interviews that are perfunctory and at their best help to measure only the congnitive aspect. (iii) There is no provision to measure the emotional qualities, physical fitness, and many other competencies that are needed for a successful teacher.

The current selection procedure does not seem to recognise that ability to teach is a quality not a mere qualification. A person with a doctorate and publication need not necessarily be a good teacher. Since teaching is one of the key performance area of college/university teachers. The selection process for the entry level positions, must attempt to measure group presentation skills of the candidates. The selection process of some institutions like IITs and IIMs include a seminar by the candidate for this purpose.

Teacher Training in Higher Education

Though formal teacher training (B.Ed) is an essential qualification for appointment as a school teacher, it is rather strange that no such formal training in teaching skills is considered essential to become a teacher at a college or university. Teachers in higher educational institution, till recently, were expected to learn techniques of teaching on the job by trial and error. With the National Policy on Education (1986) for the first time in India, officially some serious thought was given to the question of training university/college teachers resulting in the

emergence of Academic Staff Colleges (ASCs) from the academic year 1987-88. The scheme of Academic Staff Colleges comprising orientation and refresher courses aims at (a) promoting the university/ college teachers awareness of their responsibilities and status in the educational system, (b) exposting the teachers to the advances in their respective disciplines, and (c) acquainting them with the new methodologies and techniques of teaching. ASCs are expected to motivate the teachers through specially designed orientation programmes in educational technology and psychology and through the organisation of refresher courses to cover every teacher at least once in five years and encourage them to participate in seminars and symposia etc· (Ramabrahmam 1991).

At present 48 ASCs are functioning in the country with varying levels of efficiency. The functioning of ASCs has recently been reviewed by a committee constituted by the UGC. Generally satisfied with the performance of ASCs the committee urged the continuance of the scheme during the Eighth Plan and suggested the scheme being put on a "permanent footing". According to the committee, the existing ASCs can provide training facilities for about 10,000 newly recurited teachers for the orientation side and about 24,000 for the refresher programmes in a year. While this met the needs as far as the orientation side is concerned, a large backlog of 1,00,000 teachers is a reality for the refresher programmes. In order to solve this, the committee has suggested augmentation of the number of centres, revival of the earlier UGC scheme of summer institutes and getting the help of distance education mode (Rajagopalan 1992).

Besides the UGC committee there have been a few other studies on the functioning of the ASC. Deshpande and Jantli (1991) in their study have found a positive effect of orientation course on teaching methods in higher education on the attitude of ASC participants towards teaching at the tertiary level.

On the basis of an analysis of the feedback from 12 ASCs spread all over the country Rehman and Biswal (1992) have concluded that these ASCs are able to "establish their credibility in developing the teaching skills of teachers in higher education". A case study on the Evaluation of Refresher courses by Ramabrahmam (1991) points to some lacunae in the refresher courses and recommends, *Inter alia*, that the contents of the refresher courses be related to those of the syllabi enforced in different universities.

To increase the effectiveness of training offered by ASCs a few suggestions made are :

1 At least 50 per cent of the six to eight week duration of the orientation programme must be allotted to developing the teaching skills of the participants. Teaching skills cannot be developed through class-room instruction alone. It has to be supplemented by adequate practice sessions by participants. Micro-teaching techniques with the help of video-camera and play-back with comments by an instructional consultant could greatly help the participants in becoming aware of their shortcomings and dysfunctional mannerisms.

2 Selection of the right kind of resource persons for the ASC programmes needs to be given adequate attention.

3 Regardless of the kind and amount of preparation given in ASC orientation, teachers need regular supportive

consultation for about one to two semesters after the completion of the programme. For this purpose there should be follow-up and continued linkages between the teachers and ASC to offer consultations and guidance on problems relating to instructional role of teachers.

4 At present very few ASCs evaluate the participants (Deshpande and Jantli 1991). There is need for formal evaluation through some testing or other means in order to make the participants accountable.

Training has been used most often as the only mechanism for developing human resources in the education sector (Rao 1991). Other mechanisms of HRD such as development oriented performance Appraisal systems, OD exercises and appropriate reward structures to create a development climate are neglected. The following pharagraphs briefly indicate how these mechanisms, which are increasingly being adopted in the corporate sector could be applied to the education sector.

Performance Appraisal of Teachers

In most of the universities and colleges in India teacher performance appraisal systems are rudimentary in nature and the data generated is mainly used for administrative decisions such as extension/declaration of probation, promotion and sanction of incremenrs. Most often the appraisal is exclusively based on the judgements of the immediate boss reported in a confidential manner to the academic head of the institution. There is no formal mechanism for giving feed-back to the appraisee, excepting when it is negative. The way the system is practised offers lots of scope for subjectivity and bias. It creates a very unhealthy organizational climate with a lot of tension, mistrust, frustration, and interpersonal conflict. Such a climate is detrimental to the health and development of both the institution and the teacher.

Recognising these weaknesses the National Policy on Education (1986) has recommended a new system which is more open, participative and data-based for evaluation of teacher performance through as self-appraisal, peer groups, and most importantly by students. However, its recommendation has so far not been implemented by many universities and colleges. A development oriented performance appraisal system for reachers when systematically practised, can contribute substantially to the university's colleges excellence by facilitating effective utilisation and development of its teachers. A good performance appraisal system for teachers should have the following objectives:

— providing more objective data for rewards, promotions, and development decisions;

— increasing role clarity;

— developing harmonious superior-subordinate relationship;

— helping in identifying and solving problems and issues affecting performance; and

— creating increased awareness of the teacher's strengths and developmental needs.

To achieve the above objectives, the design of the performance appraisal system must ensure the following :

1 The data generated by the system must be used for developmental purposes, in addition to the administrative purposes.

2 The system must be made open, data-based and participative to avoid subjective and judgemental evaluation. Operationalising such a system involves four steps: (a) the beginning of each appraisal period, the Dean/HOD/Principal and the teacher concerned must mutually agree upon the key performance areas, the targets and the criteria for measurement; (b) on completion of the appraisal period the teacher concerned will send to the appraiser a self-appraisal of his performance identifying, facilitating and inhibiting factors; (c) a formal performance review and discussion, at a mutually convenient time, between the teacher and the Dean/HOD/Principal; and (d) identification of development needs and development of action plan for future appraisal period. A somewhat similar scheme is described by Orpen (1987-88) as an MBO scheme for improving teaching.

3 Appraisal by the Dean/HOD/Principal needs to be supplemented by peer/expert evaluation and student evaluation in addition to the self-appraisal mentioned earlier. The system of student evaluation of instruction is widely practised in institutions of higher learning in the developed world for both administrative and developmental purposes. (Arubayi 1986). However, in India there is stiff resistance from teachers for student evaluation of instruction mainly due to the fear of such evaluations being used against them by the authorities. Considering the utility of student rating in assessing university/college teaching and improving its quality, greater efforts must be made to introduce the scheme at least for the developmental purposes. This could alleviate the misgiving of the teaching community in India about the scheme. "Teachers should be educated about the advantages of student evaluations, especially about what can be gained from reviewing their teaching evaluations with an experienced instructor. Feed-back from students by itself is not as likely to lead to improvement as feed-back interpreted by an experienced guide who can show an instructor how to improve" (Lowman 1987).

Rewards Structures

Rewards structure as a mechanism of HRD of teachers should be designed to respond to the question "in what ways should effective teachers be treated differently so that they do not loose motivation"? It should deal with issues like incentives, award and other forms of recognition to motivate effective teachers.

Rewards structure in most universities and colleges pay inadequate attention to a teacher's effectiveness in teaching, although for college and university teachers the key performance area is to be an effective teacher. Appointments, promotions, and salary raises are determined largely on the basis of the quantum of research output, quite often unmindful of the quality. Teacher's contribution to the development of students through effective teaching, evaluation, feed-back, coaching, counselling etc., do not seem to get the recognition it deserves. Of course there are "Best Teacher Awards" instituted by some state governments to honour teaching excellence in higher education. But they are far too few to go to everyone who deserves them and the selection processes for these awards sometimes are suspected to be on political or seniority considerations. Ironically, students do not have a say in judging the "Best Teachers" !.

Organization Development (OD)

The organizational culture prevailing in most universities and colleges is characterised by poor boss-subordinate relationships, lack of team-spirit and collaboration, destructive competition for the limited resources, inadequate communication, employee alienation, erosion of authority, low morale, inappropriate leadership style, inter-departmental distrust and rivalry, lack of trust and mutuality among colleagues, etc.

The effectiveness of an organization is largely determined by its organizational culture. Given the traditional, rigid and bureaucratic structures and cultures which tend to prevail in many of the universities and colleges, the HRD mechanisms and systems described above cannot be successful unless planned changes are made in the prevailing organizational structure and cultures. It is in this context that OD exercises could help the universities and colleges in making them more effective : "OD is a planned process designed to improve organizational effectiveness and health through modifications in individual and group behaviour, culture, and systems of the organization usidg knowledge and technology of applied behavioural science" (Beach 1980).

Recent advances in behavioural science, knowledge and techniques are increasingly being used by organizations in the corporate sector for attacking human and organizational problems. Universities and colleges which are ignoring these problems can greatly benefit through OD. French and Bell (1991) present an illustration of the application of OD in a university.

Conclusion

HRD of teachers has a strategic role to play in higher education. The contextual and historical conditions affecting higher educational system give the HRD a difficult and complex role to play.[2] Hitherto HRD in higher education has largely been confined to training activities and financial support for research activities. A new approach towards developing an integrated HRD system for higher educational institutions is called for.

Notes

1 To improve the quality of teacher selection since 1988-89 the UGC has introduced National Educational Test (NET). Qualifying in NET is now compulsory for entry into teaching profession in higher education. However, not all state governments have adhered to this scheme. Some of them have instituted their own teacher selection tests through Public Service Commissions or other agencies.

2 Though this paper has dealt with HRD for teachers in higher education, it may be noted that to achieve excellence in higher educational institutions, HRD for administrators and other staff in these institutions is of equal importance. But this appears to be a most neglected area. To fill this void, in 1989 the University of Delhi started a centre for HRD for the professional development of university administrators. As reported in the University News (March 9, 1992) the Ministry of Human Resources Development is contemplating the creation of a National Academy or Higher Education for the University Administrators.

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